IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TENNESSEE

FAITH MILLER and MICHAEL J. IANNONE, JR., individually and on behalf of others similarly situated,	)	
Plaintiffs,	)	COMPLAINT
	)	Case No.____________
AUTOZONE, INC.	)	
Defendant.	)	

CLASS ACTION COMPLAINT

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CLASS ACTION COMPLAINT

Plaintiffs Faith Miller and Michael J. Iannone, Jr. individually and as representative of a class of participants in and beneficiaries of the AutoZone, Inc. 401(k) Plan (the "Plan") pursuant to 29 U.S.C. §§ 1132(a)(2) and 1132(a)(3) state their Complaint against Defendant AutoZone, Inc. ("AutoZone" or "Defendant")[1] for breach of fiduciary duty under the Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C. §§ 1001-1461 ("ERISA"):

[1] Reference is made to the Form 5500 Reports filed by the Plan with the U.S. Department of Labor for the plan years ending December 31, 2010 through December 31, 2017. These are available at: https://www.efast.dol.gov/portal/app/disseminate?execution=e1s1

I. INTRODUCTION

1. Plaintiffs bring this action because of AutoZone's extraordinary breaches of its fiduciary duties under ERISA, including the approval, maintenance and recommendation of an abusive "GoalMaker" asset allocation service furnished by Prudential Insurance Company ("Prudential") that served Prudential's interests.

2. AutoZone touted GoalMaker to participants as a service that would "guide you to a model portfolio of investments available, then rebalance[s] your account quarterly to ensure your portfolio stays on target," and that "GoalMaker®'s ideal allocations are based on generally accepted financial theories that take into account the historic returns of different asset classes."[2]

3. The representations were and remain false. Here "GoalMaker" served Prudential's interests by funneling participants' retirement savings into Prudential's own shamelessly overpriced proprietary investment products and into investments that paid kickbacks to Prudential. GoalMaker brazenly excluded the reliable, low-cost index funds in the Plan's investment menu available from reputable providers that did not pay kickbacks to Prudential. This resulted in the participants paying excessive investment management fees, administrative expenses, and other costs, which over the Class Period (as defined below) cost participants more than $60 million in retirement savings.

4. AutoZone could have easily stopped these abuses at any time by replacing the obscenely high-fee, chronically underperforming GoalMaker funds with reliable, low-fee Vanguard index funds already in the Plan's investment menu.

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[2] *See* 2019 AutoZone 401(k) Plan Booklet.

5. Year after year, AutoZone chose to retain GoalMaker ignoring the abusive fees and costs of the GoalMaker funds, the conflicts of interest inherent in Prudential's asset allocation scheme, and the misrepresentations repeatedly made to participants on behalf of the Plan.

6. From a fiduciary standpoint, AutoZone's GoalMaker was not a model of asset allocation but a model of plan mismanagement.

II. PARTIES, JURISDICTION AND VENUE

A. PARTIES AND ENTITIES.

7. The Plan is a defined contribution, individual account employee pension benefit plan under 29 U.S.C. §§ 1002(2)(A) and 1002(34). The Plan was established and is maintained under a written document in accordance with 29 U.S.C. § 1102(a). The Plan provides for the retirement savings and income of employees of AutoZone and its subsidiaries. As of December 31, 2018, the Plan had $548,562,798 in assets and 15,398 participants with account balances.

8. AutoZone is the Plan Administrator under 29 U.S.C. § 1002(16)(A)(i) and is a named fiduciary under the Plan and 29 U.S.C. § 1102(a). In this capacity, AutoZone has fiduciary responsibility for the Plan's investment options, investment allocation service, and administrative expenses.

9. Prudential serves as the recordkeeper for the Plan. Prudential Bank and Trust, FSB serves as trustee. Prudential also provides the investment platform for the Plan and the GoalMaker investment allocation service. Thus, Prudential is a party-in-

interest to the plan whose compensation AutoZone had a duty to monitor. ERISA § 408(b)(2).

10. Plaintiff Faith Miller resides in Hampton Bays, New York. She is a participant in the Plan because she and her beneficiaries are eligible to receive benefits under the Plan. 29 U.S.C. § 1002(7).

11. Plaintiff Michael J. Iannone, Jr. resides in Hope Hills, North Carolina. He is a participant in the Plan because he and his beneficiaries are eligible to receive benefits under the Plan. 29 U.S.C. § 1002(7).

12. During the Class Period, Plaintiffs Miller and Iannone both participated in AutoZone's "GoalMaker" asset allocation service. GoalMaker allocated their retirement investments to the (i) stable value option; (ii) international, small-cap, large-cap, and large-cap growth stock fund; and, (iii) bond funds.

B. Jurisdiction and Venue.

13. This Court has exclusive jurisdiction over the subject matter of this action under 29 U.S.C. § 1132(e)(1) and 28 U.S.C. § 1331 because it is an action under 29 U.S.C. § 1132(a)(2).

14. This District and Division are the proper venue for this action under 29 U.S.C. § 1132(e)(2) and 28 U.S.C. § 1391(b) because it is the district and division in which the subject Plan is administered, where at least one of the alleged breaches took place, and where the defendant may be found.

III. FACTS

A. AUTOZONE'S DUTIES UNDER ERISA.

15. ERISA's purpose is to provide special protections for the interests of participants and beneficiaries in defined contribution and defined benefit plans. These duties are often described as the "highest known to the law." *Donovan v. Bierwirth*, 680 F.2d 263, 271, 272 n. 8 (2d Cir. 1982) (*citing* Restatement (Second) of Trusts § 2, cmt. b (1959) and *SEC v. Chenery Corp.,* 318 U.S. 80, 85-86 (1943) (Frankfurter, J.)). An ERISA fiduciary is obligated to act (i) for the *exclusive* purpose of providing benefits to participants and defraying only reasonable expenses and (ii) with the "care, skill, prudence, and diligence" required of a trustee. 29 U.S.C. § 1104(a)(1) (emphasis added).

16. "In determining the contours of an ERISA fiduciary's duty, courts often must look to the law of trusts." *Tibble v. Edison Int'l*, 135 S. Ct. 1823, 1828 (2015). With regard to investments, the U.S. Supreme Court has instructed lower courts to look to the Restatement (Third) of Trusts § 90 (2007); *General Standard of Prudent Investment* and the *Uniform Prudent Investor Act* § 2, 7B U.L.A. 21 (1995), among other authorities. *Id.*

17. "ERISA's standards and procedural protections partly reflect a congressional determination that the common law of trusts did not offer completely satisfactory protection." *Varity Corp. v. Howe*, 516 U.S. 489, 497 (1996). Thus, even with respect to the trust-like fiduciary standards ERISA imposes, Congress expects courts to develop a common law of rights and obligations bearing in mind the special nature and purpose of ERISA plans. *Id.*

18. Under trust law, the "prudent person" standard asks whether "the individual trustees, at the time they engaged in the challenged transactions, employed the appropriate methods to investigate the merits of the investment and to structure the investment." *Katsaros v. Cody*, 744 F.2d 270, 279 (2d Cir. 1984) (*quoting Donovan v. Mazzola*, 716 F.2d 1226, 1232 (9th Cir. 1983)), *cert. denied*, 464 U.S. 1040 (1984).

19. The United States Supreme Court recently held, "Under trust law, a trustee has a continuing duty to monitor trust investments and remove imprudent ones . . . separate and apart from the trustee's duty to exercise prudence in selecting investments at the outset." *Tibble*, 135 S. Ct. at 1828. "The trustee must systematically consider all the investments of the trust at regular intervals to ensure that they are appropriate." *Id.*

20. "A trustee's lack of familiarity with investments is no excuse: under an objective standard trustees are to be judged according to the standards of others 'acting in a like capacity and familiar with such matters.'" *Katsaros*, 744 F.2d at 279 (interpreting 29 U.S.C. § 1104(a)(1)(B)). Large plans such as the AutoZone plan, responsible for $545 million in retirement savings of over 15,000 employees, have ready access to high-quality administrative and investment management services from reputable providers at a reasonable cost. *See, e.g., Tibble v. Edison Int'l*, 843 F.3d 1187, 1198 (9th Cir. 2016) ("[A] trustee cannot ignore the power the trust wields to obtain favorable investment products, particularly when those products are substantially identical—other than their lower cost—to products the trustee has already selected."). Thus, fiduciaries of large plans such as the Plan here are held to the standard of financial experts in the field of investment management. *Cf. Pfeil v. State St. Bank & Trust Co.*, 806 F.3d 377, 388 (6th Cir. 2015); *Meinhardt v. Unisys Corp.* (*In re Unisys*

Sav. Plan Litig.), 74 F.3d 420, 435 (3d Cir. 1996); *Olsen v. Hegarty*, 180 F. Supp. 2d 552 (D.N.J. 2001); *see also Katsaros*, 744 F.2d at 275, 279 (2d Cir. 1984); *Liss v. Smith*, 991 F. Supp. 278, 296-97 (S.D.N.Y. 1998) *and* A. Hess, G. Bogert, & G. Bogert, Law of Trusts and Trustees § 684, pp. 145–148 (3d ed. 2009) (Bogert 3d).

21. Moreover, the performance of an ERISA plan's investment options must be evaluated *net of costs*. "Wasting beneficiaries' money is imprudent. In devising and implementing strategies for the investment and management of trust assets, trustees are obliged to minimize costs." *Unif. Prudent Investor Act* § 7.

22. When an employer mismanages a defined contribution plan, a claim for breach of fiduciary duty is the primary if not the only effective remedy for employees that would otherwise bear the cost of the employer's improvident financial decisions. "Any person who is a fiduciary with respect to a plan who breaches any of the responsibilities, obligations, or duties imposed upon fiduciaries . . . shall be personally liable to make good to such plan any losses to the plan resulting from each such breach . . . ." 29 U.S.C. § 1109(a).

23. AutoZone acknowledged these duties in its Summary Plan Description[3] stating: "ERISA imposes duties upon the people who are responsible for the operation of the Plan. Such people are called "fiduciaries" and have a duty to act prudently and in the best interest of you and other Plan participants and Beneficiaries." Despite acknowledging its fiduciary duties, AutoZone committed most of the investment sins a fiduciary managing a 401(k) plan can commit.

[3] *See* AutoZone 401(k) Plan Summary Plan Description (current) at page 26-27.

B. THE PLAN AND THE INVESTMENT MENU.

24. 26 U.S.C. § 401(k) defined contribution plans such as the AutoZone Plan have become America's primary means of saving for retirement. This is the result of a gradual shift from the traditional, *defined benefit* "pension" plans to *defined contribution* "401(k)" plans. In the case of a traditional defined benefit "pension" plan, an employer has an incentive to make prudent investment decisions and to incur only reasonable costs because the employer is directly responsible for the financial consequences of mismanaging the plan. In contrast, in a defined contribution "401k" plan, employees bear the costs of the employer's imprudent financial decisions. Their retirement benefits are limited to the value of their individual accounts net of such costs. 29 U.S.C. § 1002(34). Thus, plan participants must rely on their employer to carry out its fiduciary duties "with the care, skill, prudence, and diligence" that ERISA requires. 29 U.S.C. § 1104(a)(1).

25. One of AutoZone's fiduciary duties was to select the investments for the Plan's investment menu. Superficially, the Plan is structured as a cafeteria plan in which participants choose investment options for their individual accounts from the Plan's investment menu. However, it is a cafeteria in which AutoZone controls the menu; participants are captive investors whose choices are limited to the investment options AutoZone selects.

C. PRUDENTIAL'S GOALMAKER ALLOCATION & KICKBACK SCHEME.

26. AutoZone went a step further than merely creating the Plan's investment menu, it provided Prudential's proprietary asset allocation service called "GoalMaker."

GoalMaker is a service that, for participating Plan participants, purports to make investments from the Plan's menu for the participant and rebalances them on an ongoing basis. AutoZone's represented to participants in its standard form GoalMaker literature that "Your retirement plan offers GoalMaker, an optional easy-to-use asset allocation program that will invest your contributions in a portfolio that matches your investor style and years to retirement"; "It guides you to a model portfolio of investments available, then rebalances your account quarterly to ensure your portfolio stays on target"; and, "GoalMaker®'s ideal allocations are based on generally accepted financial theories that take into account the historic returns of different asset classes."[4]

27. The use of an asset allocation service can be of significant benefit to a participant in selecting a portfolio from a plan's investment menu.[5] A retirement investor with limited time or investment experience could benefit from the use of such a resource *if* monitored by a prudent fiduciary that has the participants' best interests in mind. Regrettably, such is not the case with GoalMaker.

28. AutoZone represented in plan documentation that the GoalMaker asset allocation service was based on objective, scientific models developed by the investment research and management firm Morningstar. AutoZone's GoalMaker literature states: "Morningstar uses a holistic, total wealth approach steeped in research that considers an investor's unique risk preferences and risk capacity to map an investor to the most

[4] *See* 2019 AutoZone 401(k) Plan Booklet: "AutoZone 401(k) Plan Highlights – GoalMaker Allocations."

[5] *See* "Assessing the value of advice," Vanguard Research, September 2019 and References to article, available at https://personal.vanguard.com/pdf/assessing-value-advice.pdf.

appropriate overall stock and bond mix in weights [*sic.*] represent the optimal combination of 'accumulation-orientated' chacteristics vs. given the unique profile of the investor."[6] Although AutoZone cloaked GoalMaker in Morningstar's credibility in recommending the service, Morningstar itself did not assume any responsibility for Prudential's GoalMaker service. In fact, Morningstar specifically disclaimed any responsibility for the review or approval of the information provided to the participants in the AutoZone Plan.[7]

29. Participants enrolled in Prudential's GoalMaker service were told they could not change the recommended allocations without being dis-enrolled in the service: "Making an allocation change, however, will cause you to no longer be enrolled in the GoalMaker program."[8] Moreover, AutoZone made GoalMaker the Plan's default investment option. This combined with AutoZone's touting of the service resulted in a large portion of participants' retirement savings being allocated by GoalMaker.

30. AutoZone's decisions and representations regarding the investment menu and the asset allocation service were made in a fiduciary capacity.

31. AutoZone did not have the competence, exercise the diligence, or have in place a viable methodology to monitor the GoalMaker allocation service and investment options. AutoZone knew, or would have known had AutoZone implemented a prudent investment methodology, that GoalMaker was designed to steer Plan participant's

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[6] *See* AutoZone Plan Booklet *supra*.

[7] *Id.*

[8] *Id.*

retirement savings to investment options that paid investment management fees and kickbacks to Prudential. AutoZone did not need to scour the marketplace to find prudent investments. AutoZone needed only to look to the Vanguard funds included in the Plan's investment menu that did not pay kickbacks or investment management fees to Prudential and were therefore excluded from GoalMaker.

D. Why Fees Matter.

32. ERISA requires fiduciaries not only to act for the *exclusive benefit* of participants and beneficiaries, but also to make *only* prudent investments and to incur *only* reasonable expenses. 29 U.S.C. § 1104(a)(1). "Understanding and evaluating [retirement] plan fees and expenses associated with plan investments, investment options, and services are an important part of a fiduciary's responsibility." *Understanding Retirement Plan Fees and Expenses*, U.S. Department of Labor Employee Benefits Security Administration (December 2011).[9]

33. It is indisputable that the higher the fees charged for an investment the less the investment earns over time. The magnitude of the effect that fees have on the financial performance of retirement accounts is far greater than many realize because of the effect of compounding. The U.S. Department of Labor estimates that over 35 years a 1% difference in fees and expenses can reduce a participant's account balance at

[9] Available at: https://www.dol.gov/sites/dolgov/files/legacy-files/ebsa/about-ebsa/our-activities/resource-center/publications/understanding-retirement-plan-fees-and-expenses.pdf.

retirement by as much as 28%. U.S. Dep't of Labor, *A Look at 401(k) Plan Fees, 1-2 (Aug. 2013)*.[10]

34. The differences between fees of 0.25% (25 bps), 0.50% (50 bps), and 1.00% (100 bps) are material, as shown in the following chart published by the SEC.[11]

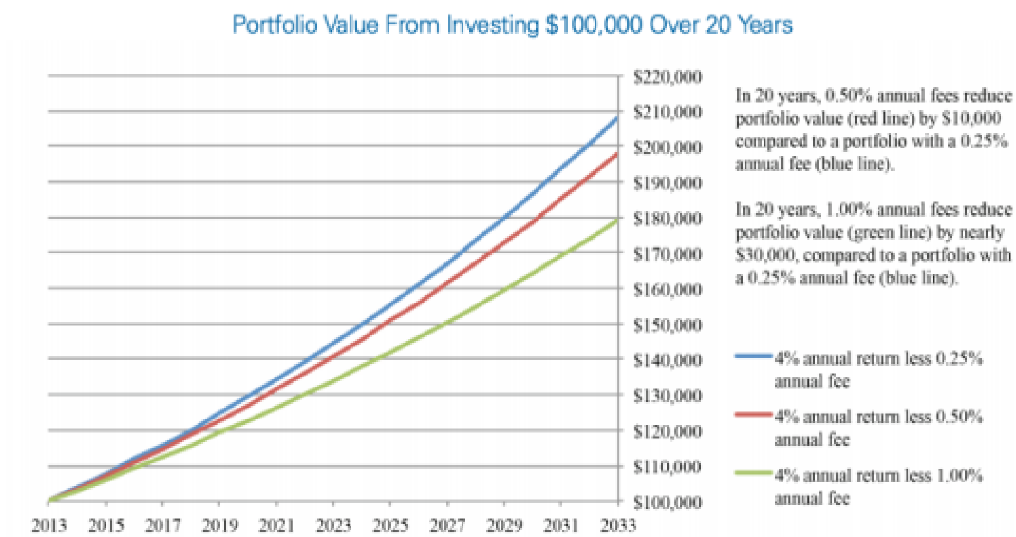

Figure 1: *Chart from SEC Bulletin, "How Fees and Expenses Affect Your Investment Portfolio"*

35. A substantial majority of savings in employer sponsored retirement plans go into mutual funds. A mutual fund is a type of investment vehicle consisting of a portfolio of stocks, bonds, or other securities.[12]

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[10] This article is available at: //www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/publications/a-look-a t-401k-plan-fees.pdf.

[11] Investor Bulletin, "How Fees and Expenses Affect Your Investment Portfolio," U.S. Securities and Exchange Commission ("SEC") Office of Investor Education and Advocacy, available at https://www.sec.gov/investor/alerts/ib_fees_expenses.pdf

[12] For an explanation of how mutual funds work and a description of fees, expenses, and share classes, see our publication: Mutual Funds - A Guide for Investors (available at http://www.investor.gov/mutual-funds).

36. Mutual funds are regulated by the U.S. Securities and Exchange Commission (the "SEC"). The SEC requires mutual funds to make a number of different disclosures that are relevant to retirement investing, including: (i) a broad market index against which the fund's returns may be measured; and, (ii) the fund's fees and expenses. These disclosures allow plan sponsors to monitor the fees and expenses of the funds selected for the plan's investment menu and to remove a fund whose performance measured against the broad market index does justify its retention as an investment option.

37. The most significant expenses for most retirement plans are the investment management fees paid to providers of mutual funds and other investment products. In the case of mutual funds most, but by no means all, investment expenses are reported as "expense ratios." There are other costs (including transaction costs such as commissions, bid-ask spreads, and market impact costs) that are not included in the expense ratio but which reduce investment returns. The expense ratio represents the total of certain of a fund's annual operating expenses expressed as a percentage of the fund's average net assets. Expense ratios are deducted by the mutual fund provider from the investor's returns. Expense ratios often make up as much as 80% of the cost of administering a defined contribution plan.

38. In retirement investing, *expenses matter*. The logic is simple: for every dollar in costs the returns of an investment shrink by a dollar. The effect is significant, particularly over long periods of time. Research, including research by Morningstar, demonstrates overwhelmingly that costs are the most important factor in making

prudent investment decisions. As the director of fund research at Morningstar, Russell Kinnel, noted:

> If there's anything in the whole world of mutual funds that you can take to the bank, it's that expense ratios help you make a better decision. In every single time period and data point tested, low-cost funds beat high-cost funds. . . . Investors should make expense ratios a primary test in fund selection. They are still the most dependable predictor of performance.

Russell Kinnel, "How Expenses and Stars Predict Success" (Morningstar 2010).

39. The safest and soundest approach to reducing costs in a retirement plan is to invest in low-cost funds, more particularly index funds, the lowest cost of all the funds. As Warren Buffet advised in a 1996 letter to shareholders, the best way for most investors to control the costs of the management expenses is to maintain an investment menu of low-cost index funds. "Most investors, both institutional and individual, will find the best way to own common stock is through an index fund that charges minimal fees. Those following this path are sure to beat the net results (after fees and expenses) delivered by the great majority of investment professionals."[13]

40. Mr. Buffet's advice, applied to mutual funds, is simple: keep fees down by investing in a type of investment known as an "index fund." The reason index funds are effective is that they provide exposure to broad market indices without incurring unnecessary fees. The investment strategy of an index fund is very conservative and simple. The fund buys the securities in the broad market index and it spends as little

[13] Warren E. Buffet, 1996 - Berkshire Hathaway Shareholder Letter. Warren Buffet is widely regarded as the most successful investor in the world today. The letters to shareholders are available on the web at: https://www.berkshirehathaway.com/letters/letters.html

money as possible, so that the returns from the securities go to the investor and not to the mutual fund managers.

41. Index funds have low expense ratios. A high-quality index fund charges low investment management fees, often as low as 2 bps[14] for large-cap equity fund. High-quality providers typically do not pay 12b-1 distribution fees (*i.e.* sales commissions) relying instead on their reputation and the quality of their funds. Index funds also have low transaction costs because the funds do not trade shares excessively nor attempt to time the market. Such funds are available from any number of reputable providers, including Vanguard, TIAA-CREF, Fidelity, Schwab, and others.

42. The index fund approach to investing and controlling costs is fundamentally sound from a trust law perspective. According to the Restatement (Third) of Trusts § 90, *cmt. h(1)*, "Investing in index funds that track major stock exchanges or widely published listings of publicly traded stocks is illustrative of an essentially passive but practical investment alternative to be considered by trustees seeking to include corporate equity in their portfolios."

43. Index funds, which tend to be similar and track the same indices, are much simpler from a fiduciary standpoint than other funds. Index funds from reputable providers typically do not pay revenue share or contain hidden fees because to do so would be inconsistent with their low-cost investing approach and ethical standards. They are marketed on the basis of their performance and the reputation of the fund provider. A plan sponsor is free to compare the cost of index funds on an apples-to-

[14] "bps" is a common abbreviation for "basis points." One basis point equals 1/100 of a percent; *see* https://www.investor.gov/additional-resources/general-resources/glossary/basis-point

apples basis and can negotiate the cost of other plan services on an oranges-to-oranges basis. There is less risk the plan's performance will be undermined by greed, whether as a result of the use of proprietary funds offered by the plan recordkeeper or funds sold by a broker or insurance agent motivated by commissions.

44. ERISA fiduciaries are permitted to maintain an investment menu that includes funds with higher expense ratios that seek out returns in excess of those provided by index funds. (*See* "GOALMAKER FUNDS" section *infra*). However, this strategy involves additional costs, including (i) investment management fees, typically disclosed in the form of an expense ratio and (ii) hidden fees such as transaction costs. (GOALMAKER FUNDS). An ERISA fiduciary that decides to spend money chasing excess returns through the use of high fee funds must have a viable methodology for determining that the additional costs are justified by a reasonable prospect of excess returns *net of fees*. (*See* "THE FOOLS GAME"). A prudent fiduciary must also monitor payments to third parties such as Prudential to prevent the payment of excess fees from proprietary funds and kickbacks from providers that pay to have their funds included in the Plan's investment menu. (*See* "HOW KICKBACKS ARE PAID"). Administrative expenses – principally recordkeeping and custody fees – must also be prudently monitored so that excessive investment management fees are not hidden by characterizing them as administrative expenses. (*See* "ADMINISTRATIVE EXPENSES"). As set forth herein, AutoZone did not have a viable methodology for implementing such a high-cost strategy.

E. THE GOALMAKER FUNDS.

45. AutoZone, which misrepresented to participants that GoalMaker allocations were based on Morningstar research, failed to give appropriate consideration to expense ratios and other costs in making investment decisions.

46. Despite the overwhelming evidence that expenses matter and that a fiduciary is obligated to consider expenses in making investment decisions, AutoZone did not have a viable methodology for monitoring the expenses of the GoalMaker funds. Not only did AutoZone maintain a menu of high-fee GoalMaker funds, AutoZone excluded low-fee index funds.

47. During the Class Period (defined below), AutoZone maintained an investment platform that contained a stable value fund, eight to ten mutual funds, three to four separate account funds, and a handful of index funds.[15]

48. The following chart identifies the funds selected by GoalMaker and the broad market indices for the investment options. An appropriate low-cost index fund from Vanguard for the same index is included, which can be used to benchmark the fees and performance of the AutoZone funds.[16] The expense ratios of each fund, recognized

[15] Separate accounts are generally commingled investment vehicles, similar to mutual funds, that aggregate assets from more than one investor to achieve economies of scale. These investment vehicles are made available through contracts issued by the insurance company to qualified retirement plans, like 401(k) plans, and governmental plans.
[16] There is an important distinction between a market index and an index fund benchmark. Market index returns do not take fees into account. Index fund returns, though based on the performance of the same assets as the market index, do include fees and costs (and sometimes additional income such as securities lending income). An investor cannot buy a market index, but can buy an index fund benchmark. As a result, index funds, for the same market index as the fund (or one very similar) make an appropriate benchmark for the comparison and evaluation of a fund's returns net of fees.

by Morningstar as the single most important consideration in fund selection, are shown, which is the starting point for analyzing the prudence of AutoZone's fund selection process.

Figure 2: *Expense Ratios of AutoZone Funds during Class Period (in percent)*

	AutoZone Fund	ER (%)	Index	Vanguard Benchmark	ER (%)
GoalMaker:					
Prudential Stable Value:					
1	Prudential GIC Autozone	2.00	MSCI US Board Market Index	Vanguard Balanced Index Admiral	0.07
Prudential Separate Accounts:					
2	Pru Jennison Growth Z	0.91	Russell 1000 Growth	Vanguard Russell 1000 Growth Index I	0.08
3	PIMCO Total Return	0.63	Bloomberg Barclays U.S. Aggregate Index	Vanguard Intermediate Term Corporate Bond Index Fund Institutional	0.09
4	Eagle Mid Cap Growth	0.72	Russell Mid Cap Growth	Vanguard Mid Cap Growth Index	0.14
5	QMA Mid Cap Value	0.77	Russell Mid Cap Value	Vanguard Mid Cap Value Index	0.21
Mutual Funds:					
6	Pru Jennison Growth A	0.92	Russell 1000 Growth	Vanguard Russell 1000 Growth Index I	0.08
7	Loomis Sayles Value Class Y	0.73	Russell 1000 Value TR	Vanguard Russell 1000 Value Index I	0.08
8	Delaware Value Fund Institutional Class	0.72	Russell 1000 Value	Vanguard Russell 1000 Value Index I	0.08
9	Lord Abbett Fundamental Equity Class A	1.09	Russell 1000 Value	Vanguard Russell 1000 Value Index I	0.08
10	Baron Small Cap Institutional	1.05	Russell 2000 Growth Index	Vanguard Small Cap Growth Index Institutional	0.07
11	Boston Partners Small Cap Value Fund II Institutional	1.10	Russell 2000 Value	Vanguard Small Cap Value Index I	0.07
12	Target Small Cap Value	0.68	Russell 2000 Index / Russell 2000 Value Index	Vanguard Russell 2000 Value Index Inst'l	0.16
13	American Europacific Growth R4	0.84	MSCI All Country World ex USA	Vanguard International Growth Admiral	0.33
14	Nationwide Geneva MidCap Growth Fund Institutional Service	1.11	Russell Mid Cap Growth	Vanguard Mid Cap Growth Index	0.14
15	Wells Fargo Small Company Growth R6	0.90	Russell 2000 Growth	Vanguard Small Cap Growth Index Inst'l	0.08
16	PIMCO Total Return Admin	0.63	Bloomberg Barclays U.S. Aggregate Index	Vanguard Intermediate Term Corporate Bond Index Fund Institutional	0.05
17	Loomis Sayles Core Plus Bond Class A	0.79	Bloomberg Barclays U.S. Aggregate Bond	Vanguard Total Bond Market Index Inst Plus	0.05
18	Loomis Sayles Core Plus Bond Class N	0.39	Bloomberg Barclays U.S. Aggregate Bond	Vanguard Total Bond Market Index Inst Plus	0.04

Excluded from GoalMaker:					
Index Funds:					
19	Vanguard Developed Markets Index Fund Admiral	0.09	FTSE Developed All Cap ex US Index	Vanguard Developed Markets Index Admiral	0.09
20	Vanguard Total Stock Market Index Fund Inst'l	0.04	CRSP US Total Market Index	Vanguard Total Stock Market Index Fund Inst'l	0.04
21	Vanguard Total Bond Market Index Investor	0.20	Bloomberg Barclays U.S. Aggregate Float Adjusted	Vanguard Total Bond Market Index Inv.	0.20
22	Vanguard Total Bond Market Index	0.06	Bloomberg Barclays U.S. Aggregate Float Adjusted	Vanguard Total Bond Market Index	0.06

49. Each of the GoalMaker funds on the left-hand side of the chart is a high-cost, actively managed fund. Each of the Vanguard funds on the right hand side of the chart is a low-cost index fund, for the corresponding index, that merely seeks to mirror the market. The bottom rows consist of low-cost index funds, the Vanguard funds, excluded from GoalMaker allocations.

50. This comparison is without the benefit of hindsight or *cherry picking*, as the choice of the index fund benchmark is dictated by the index.

51. The Vanguard funds, with lower expense ratios, were available during the Class Period.

1. Stable Value Fund.

52. During the Class Period, GoalMaker funneled participants' retirement savings into a proprietary stable value fund managed by Prudential, the Prudential Guaranteed Income Fund (the "Prudential GIC"). The Prudential GIC was the Plan's single largest investment with between $50 and $100 million in participants' retirement savings, equal to 15 to 20 percent of the Plan's total assets.

53. The amount of money invested in the fund was a direct result of AutoZone's use of GoalMaker. GoalMaker, which AutoZone approved, made available,

and recommended to participants, allocated between 0% and 21% of aggressive portfolios to stable value, 7% to 35% of moderate portfolios, and 14% to 44% of conservative portfolios to the stable value fund, depending on the investor's years to retirement.

54. Under these circumstances a prudent fiduciary, recognizing the importance of the fund in the Plan's investment lineup, would have exercised great caution and expended considerable effort in analyzing and monitoring this investment option. AutoZone failed spectacularly to do these things.

55. Stable value funds are fairly common in 401(k) plans. In most cases, stable value products make use of special guaranteed investment contracts known as "GIC" or "wraps" that have their own risk and return characteristics.[17] In the vast majority of cases stable value funds are not mutual funds and typically are structured as: (i) an insurance company general account; (ii) an insurance company separate account; or, (iii) a synthetic fund. The differences between the different types of funds are critical from a fiduciary standpoint.

56. A stable value account in a retirement plan is similar to a money market fund in that it provides liquidity and principal protection, and similar to a bond fund in that it provides consistent returns over time. It differs from both in that it seeks to generate returns greater than a money market and equivalent to a short – to

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[17] "The key difference between a GIC and a wrap contract is that under a wrap contract the associated invested assets are usually owned outright by the plan in a synthetic GIC structure or segregated in the plan's name in an insurance separate account wrap." https://stablevalue.org/knowledge/faqs/question/what-are-gics-and-wraps

intermediate – term bond fund. Stable value funds are able to do this because participant behavior is such that the amount of money invested in the account is relatively stable over time. This enables fund providers to offer better crediting rates (the rate of return) and to guarantee participants will not lose money by guaranteeing the fund transacts at book value. Stable value accounts also "stabilize" the returns through the use of an imbedded formula which is part of the contract with the plan that smooths out the volatility of the fund resulting from fluctuations in interest rates associated with bond funds.[17]

57. There are several different types of stable value accounts in the 401(k) marketplace. Large plans often offer "synthetic" stable value funds, which are the least risky, because principal is guaranteed by multiple "wrap providers"[18] and the fund owns the assets of the underlying funds. Separate account products, where the assets of the underlying funds are held in the separate account of an insurance carrier, are riskier because there is only one "wrap" provider. As a result, they offer higher crediting rates. General account products, such as the Prudential GIC, where the funds are held unrestricted in the general account of the insurance carrier, are the riskiest type of stable value funds and consequently must offer the highest rates.

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[17] *See Stable Value Fund v. Money Market Fund*, Financial Web describing difference between stable value funds and money market funds), available at http://www.finweb.com/investing /stable-value-fund-vs-money-market-fund.html#axzz44EaLfQnQ

[18] Stable value funds invest in fixed-income securities and wrap contracts offered by banks and insurance companies. Wrap contracts guarantee a certain return even if the underlying investments decline in value. To support that guarantee, a wrap contract relies on both the value of the associated assets and the financial backing of the wrap issuer.

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58. Following the high-profile failure or near failure of a number of stable value providers during the credit crisis of 2008 - 2009 the trend among fiduciaries is to avoid general account stable value funds because of credit risk concerns.

59. The Prudential GIC is a general account product established pursuant to a contract between AutoZone and Prudential. The investment funds were deposited by Prudential in its general account, which enabled Prudential to earn a "spread" equal to the difference between the crediting rate and the returns earned by Prudential from general account funds. The Prudential GIC is subject to the single entity credit risk of Prudential, the issuer of the contract. The crediting rate, *set in advance* by Prudential and reset from time to time in Prudential's *sole discretion*, is not tied to the performance of a diversified pool of assets in which the investors in the fund have an interest. Thus, AutoZone had the opportunity and duty to evaluate the investment in advance; this is not a case of judging an investment with the benefit of hindsight.

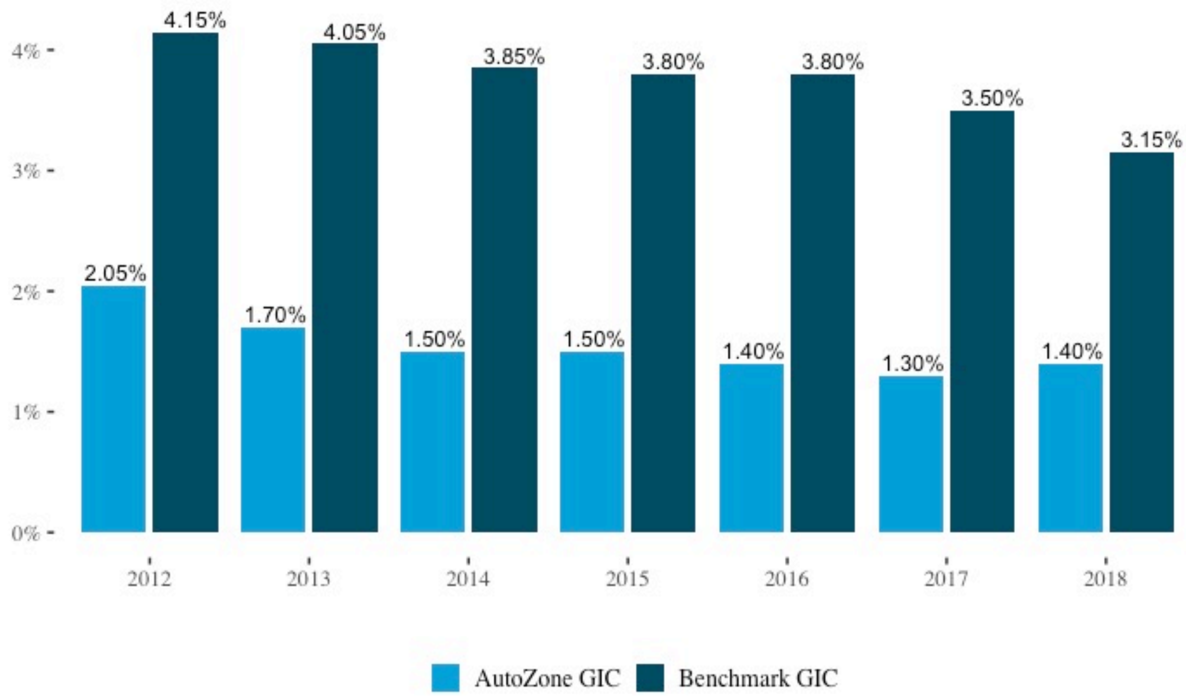
60. As an ERISA fiduciary, AutoZone had an obligation to monitor the fees and performance of the Prudential GIC and to remove or replace it where a substantially identical investment option can be obtained from the same provider at a lower cost. *See, e.g., Tibble v. Edison Int'l*, 843 F.3d 1187, 1198 (9th Cir. 2016) ("[A] trustee cannot ignore the power the trust wields to obtain favorable investment products, particularly when those products are substantially identical – other than their lower cost – to products the trustee has already selected.").

a. Prudential's Excessive Spread Fees.

61. AutoZone did not have a viable methodology for monitoring the costs or performance of the Prudential GIC. Not only were comparable products available from other providers with higher crediting rates, but an *identical* product was available from Prudential with higher crediting rates and lower spread fees. In fact, the Prudential GIC consistently charged the AutoZone employees 200 basis points more and, consequently, returned 200 basis points less than *the very same type of fund offered by Prudential to other similarly situated retirement plans*.

62. The spread fees paid to Prudential were positively obscene. The following chart compares the crediting rate (light blue) of the AutoZone stable value fund to the crediting rate (dark blue) of the *same general account products offered by Prudential to other plans*:

Figure 3: *Excessive Spread Fees 2012-2018 (as percentage of stable value assets).*



Fund Year	2013	2014	2015	2016	2017	2018	Average
AutoZone GIC	1.70	1.50	1.50	1.40	1.30	1.40	1.47
Identical GIC	4.05	3.85	3.80	3.80	3.50	3.15	3.69
Excess Spread Fees	-2.35	-2.35	-2.30	-2.40	-2.20	-1.75	-2.22

63. This difference, more than 2% per year on average, is the excess spread fees that AutoZone failed to monitor and redress. Taking inflation into account, the difference in real dollar terms was even more pronounced, with real (net of inflation) returns for the AutoZone fund near zero.

64. AutoZone did not have to scour the marketplace to find a better performing fund, it simply had to make an effort, which it failed to make, to determine

whether the same fund was available at a lower cost. Fact sheets showing the available crediting rates of market rate Prudential funds (**Exhibit A)** and similar products from other providers were readily available had AutoZone exercised even a minimal amount of due diligence.

65. The following table estimates the amount of excess spread fees for each year of the Class Period for which information is available:

Figure 4: *Calculation of Loss from Excess Spread Fees 2012-18 (in dollars)*

Plan Year	AutoZone GIC (in %)	Benchmark GIC (in %)	Difference (in %)	Plan Assets (in $)	Excess Spread Fees (in $)
2012	2.05	4.15	-2.10	52,589,029	- 1,104,370
2013	1.70	4.05	-2.35	57,975,417	- 1,362,422
2014	1.50	3.85	-2.35	62,751,347	- 1,474,657
2015	1.50	3.80	-2.30	73,331,763	- 1,686,631
2016	1.40	3.80	-2.40	82,413,404	- 1,977,192
2017	1.30	3.50	-2.20	88,054,249	- 1,937,193
2018	1.40	3.15	-1.75	98,190,476	- 1,718,333
					-$ 11,261,528

66. This loss is something a competent, prudent, and diligent fiduciary would have known was happening in advance. There is a crucial distinction in evaluating a stable value product's returns against investment returns available elsewhere. Because the product's performance over a given period is *declared six months in advance,* the plan fiduciary knows six months in advance what the returns will be.

67. The plan fiduciary also knows that, because of the manner in which crediting rates are calculated, the product is less sensitive to interest rates than bond

funds. Consequently, a stable value product that performs well generally continues to perform well, in a stable manner. A stable value product that performs poorly, such as the Prudential GIC, generally continues to perform poorly in a stable manner.

68. A prudent fiduciary – that is, a fiduciary that monitors the investment, understands the pricing mechanism, and informs itself of the crediting rates and spread fees available in the market – would have known that Prudential's stable value product would underperform and that being a *stable* value product it would continue to underperform in a stable manner.

69. The consequence of failing to monitor the cost of the stable value product was particularly significant here. Prudential, the stable value provider, was also the investment platform provider and the supplier of GoalMaker, which Prudential applied in a self-dealing manner to steer Plan participants to proprietary Prudential products and products paying kickbacks to Prudential. General account stable value funds can be tremendously profitable for the issuing insurance company because of the spread. The excessive spread in this case resulted in a windfall to Prudential, whose compensation AutoZone had a legal duty to monitor, but which duty AutoZone failed to discharge in spectacular fashion.

70. On the basis of the excessive spread fees alone, the Prudential stable value fund was an imprudent investment which should have been removed from the Plan.

b. Failure to Diversify.

71. ERISA § 1104(a)(1)(C) provides that a fiduciary shall discharge his duties "by diversifying the investments of the plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so."

72. The Prudential GIC is not diversified. The Prudential GIC is a contract, a piece of paper, subject to the single entity credit risk of Prudential, the issuer of the contract.

73. In addition, the returns of the Prudential GIC depend on crediting rates set at the discretion of a single provider, Prudential. The crediting rate, set by Prudential alone, is not tied to the performance of a diversified pool of assets in which the investors in the fund have an interest as with a separate account or synthetic stable value fund.

74. Following the high-profile failure or near failure of a number of stable value providers during the credit crisis of 2008-9, the trend among fiduciaries in large plans is to avoid general account stable value funds because of credit risk concerns and to select more diversified stable value products.

75. There are circumstances under which it may clearly be prudent not to diversify the assets of a plan invested in a stable value fund, but this is not such a case. Here, Prudential pocketed more than 200 basis points in excess fees and failed to provide the rate of return that would ordinarily compensate for the Plan's failure to fully diversify its investments.

76. For this reason also, the Prudential stable value fund was imprudent and should have been removed from the Plan.

c. Lost Investment Opportunity Cost.

77. Failing to monitor the Plan's most significant investment had disastrous consequences for the Plan and cost participants tens of millions of dollars in retirement savings. Not only were participants charged excessive spread fees on an undiversified fund, but they also lost the opportunity to invest their money in asset classes that delivered higher returns. The $50 to $100 million in participants' retirement savings that were invested in the imprudent stable value fund during the Class Period could have been invested in funds with substantially higher returns. As explained in the section of this Complaint, *Why Fees Matter,* the loss compounds over time. As set forth in the section, *The Damage Done,* the total loss sustained by the employees participating in the Plan, of which the stable value fund was a major cause, exceeded $60 million.

2. High-Cost Mutual Funds and Separate Accounts.

78. An examination of the cost and fee structure of the AutoZone Plan makes it abundantly clear that AutoZone did not have a viable methodology for monitoring or controlling the costs and expenses of its investment options.

a. Investment Management Fees.

79. The single largest category of fees in AutoZone's case were investment management fees, whether the spread fees of the stable value funds or the investment management fees of the mutual funds and sub-advised separate accounts.

80. In mutual funds, the fees are disclosed as part of an investment's

expense ratio. The separate sub-accounts are an insurance product, structured much like a separate account stable value fund, where the insurance company owns the assets. The fee structure for sub-account products is less transparent than for mutual funds. Subaccounts also charge the equivalent of an investment management fee, plus additional wrap fees, contract charges, and the like.

81. In AutoZone's case, the investment management fees were excessive compared to low-cost benchmark fund alternatives, as shown in the following table:

***Figure 5**: Investment Management Fees of AutoZone Funds and Benchmarks*

	Plan Fund	Mgmt. Fee	Benchmark Fund	Mgt. Fee
GoalMaker:				
Stock				
1	Prudential GIC Autozone	2.00% spread	Vanguard Balanced Index Admiral	0.07
2	PIMCO Total Return	0.46	Vanguard Intermediate Term Corporate Bond Index Fund Institutional	0.05
3	Eagle Mid Cap Growth	0.52	Vanguard Mid Cap Growth Index	0.1
4	QMA Mid Cap Value	0.73	Vanguard Mid Cap Value Index	0.08
5	Pru Jennison Growth A	0.57	Vanguard Russell 1000 Growth Index I	0.08
6	Loomis Sayles Value Class Y	0.70	Vanguard Russell 1000 Value Index I	0.08
7	Delaware Value Fund Institutional Class	0.51	Vanguard Russell 1000 Value Index I	0.08
8	Lord Abbett Fundamental Equity Class A	0.54	Vanguard Russell 1000 Value Index I	0.08
9	Baron Small Cap Institutional	1.05	Vanguard Small Cap Growth Index Institutional	0.07
10	Boston Partners Small Cap Value Fund II Institutional	1.00	Vanguard Small Cap Value Index I	0.22
11	Target Small Cap Value	0.60	Vanguard Russell 2000 Value Index Inst'l	0.16
12	American Europacific Growth R4	0.41	Vanguard International Growth Admiral	0.34
13	Nationwide Geneva MidCap Growth Fund Institutional Service	0.69	Vanguard Mid Cap Growth Index	0.14
Bond				
14	Pru Jennison Growth Z	0.57	Vanguard Russell 1000 Growth Index I	0.08
15	Wells Fargo Small Company Growth R6	0.82	Vanguard Small Cap Growth Index Inst'l	0.07
16	PIMCO Total Return Admin	0.46	Vanguard Intermediate Term Corporate Bond Index Fund Institutional	0.05
17	Loomis Sayles Core Plus Bond Class A	0.34	Vanguard Total Bond Market Index Inst Plus	0.04
18	Loomis Sayles Core Plus Bond Class N	0.34	Vanguard Total Bond Market Index Inst Plus	0.04

Excluded from GoalMaker:

Stock				
19	Vanguard Developed Markets Index Fund Admiral	0.09	Vanguard Developed Markets Index Admiral	0.09
20	Vanguard Total Stock Market Index Fund Inst'l	0.04	Vanguard Total Stock Market Index Fund Inst'l	0.04
Bond				
21	Vanguard Total Bond Market Index Investor	0.20	Vanguard Total Bond Market Index Inv.	0.2

82. Even putting the Prudential GIC aside, it is clear that the GoalMaker funds were substantially more expensive by a factor of 10 (1000%) or more than readily available low-cost index funds in the same asset class. In AutoZone's case, these fees were wasted, because AutoZone did not have a viable process for monitoring them. There was no performance-based justification or other reason for AutoZone to incur these additional fees. (*See* "THE FOOL'S GAME").

b. Trading Costs – Hidden Fees.

83. The GoalMaker funds were expensive not only because of the high investment management fees but also because of trading costs, which AutoZone did not have a viable methodology to monitor.

84. Trading costs result from the purchase and sale of investments such as stocks and bonds by mutual fund companies. These costs are not included in a fund's expense ratio; however, the SEC requires a fund to disclose its "turnover ratio," a measure of how frequently a fund's assets are bought and sold. Average trading costs

are in the range of 80 -95 bps per 100% of fund turnover, which is material to the fund's performance over time.[18]

85. AutoZone warned employees that, "Excessive trading can harm a fund's performance and the retirement security of long-term investors. Mutual fund companies and other providers of retirement investment products have rules prohibiting this practice in order to protect the interests of all investors." AutoZone's investment platform provider, Principal, represented that it had taken steps to control trading costs, stating, "The Excessive Trading Monitoring Program is part of Prudential's ongoing commitment to help all our investors grow and protect their wealth. The program is designed to identify participants who are engaging in excessive trading of one plan investment for another plan investment and to stop such trading. Visit www.prudential.com/online/retirement for more information."

86. This representation was false and potentially fraudulent. The funds selected by GoalMaker had high turnover ratios and high trading and market impact costs. The funds GoalMaker excluded had low trading costs. The following chart demonstrates the difference in the turnover ratio of the high cost GoalMaker funds and the low-cost funds excluded from GoalMaker:

[18] Roger Edelen, Richard Evans, and Gregory Kadlec, "Shedding Light on 'Invisible' Costs: Trading Costs and Mutual Fund performance," Financial Analyt Journal 68:1 (CFA Institute 2013); see also Mark M. Carhart, "On Persistence in Mutual Fund Performance," The Journal of Finance (March 1997) (estimating 95 basis points costs per 100% of turnover). No competent investment professional would dispute that funds with higher turnover ratios generally are more costly. Estimates vary based on the time period in question and the type of fund.

Figure 6: *Turnover Ratios of AutoZone Funds*

	Plan Fund	Turnover	Benchmark	Turnover
GoalMaker:				
Stock				
1	Prudential GIC Autozone	-	Vanguard Balanced Index Admiral	44%
2	PIMCO Total Return	728%	Vanguard Intermediate Term Corporate Bond Index Fund Institutional	65%
3	Eagle Mid Cap Growth	44%	Vanguard Mid Cap Growth Index	31%
4	QMA Mid Cap Value	78%	Vanguard Mid Cap Value Index	25%
5	Pru Jennison Growth A	40%	Vanguard Russell 1000 Growth Index I	20%
6	Loomis Sayles Value Class Y	27%	Vanguard Russell 1000 Value Index I	16%
7	Delaware Value Fund Institutional Class	20%	Vanguard Russell 1000 Value Index I	19%
8	Lord Abbett Fundamental Equity Class A	92%	Vanguard Russell 1000 Value Index I	26%
9	Baron Small Cap Institutional	29%	Vanguard Small Cap Growth Index Institutional	26%
10	Boston Partners Small Cap Value Fund II Institutional	29%	Vanguard Small Cap Value Index I	23%
11	Target Small Cap Value	40%	Vanguard Russell 2000 Value Index Inst'l	37%
12	American Europacific Growth R4	35%	Vanguard International Growth Admiral	24%
13	Nationwide Geneva MidCap Growth Fund Institutional Service	32%	Vanguard Mid Cap Growth Index	31%
Bond				
14	Pru Jennison Growth Z	40%	Vanguard Russell 1000 Growth Index I	20%
15	Wells Fargo Small Company Growth R6	54%	Vanguard Small Cap Growth Index Inst'l	30%
16	PIMCO Total Return Admin	635%	Vanguard Intermediate Term Corporate Bond Index Fund Institutional	65%
17	Loomis Sayles Core Plus Bond Class A	122%	Vanguard Total Bond Market Index Inst Plus	71%
18	Loomis Sayles Core Plus Bond Class N	181%	Vanguard Total Bond Market Index Inst Plus	71%

Excluded from GoalMaker:

Stock				
19	Vanguard Developed Markets Index Fund Admiral	3%	Vanguard Developed Markets Index Admiral	3%
20	Vanguard Total Stock Market Index Fund Inst'l	3%	Vanguard Total Stock Market Index Fund Inst'l	3%
Bond				
21	Vanguard Total Bond Market Index Investor	71%	Vanguard Total Bond Market Index Inv.	71%

87. The GoalMaker funds had geometrically higher trading costs than both non-GoalMaker funds and index fund alternatives. The cost impact of this turnover is difficult to evaluate without more information, but it is clear AutoZone did not heed its own warnings about the effects of excessive trading, that the representations made to participants about the excessive trading rules in place for GoalMaker funds were false, and that the impact on participants and their retirement savings was material and significant.

88. Equity funds, for example, can suffer as much as 70bps of additional trading and market impact costs per 100% of annual turnover, depending on the type of fund. Debt funds tend to have a higher turnover, because bonds must be replaced as they mature, but the impact of high turnover is significant here as well.

89. The equity fund with the highest turnover cost on the AutoZone investment menu is the Prudential QMA Mid-Cap Value fund, a sub-advised Prudential separate account. The fund has an average turnover ratio of 78%, which is high for a value fund.

90. The fund research firm Morningstar criticized the fund's approach because of the additional costs generated by the high turnover.[19]

91. The fund's performance did not justify these additional costs, as the fund consistently underperformed both broad market indices and low-cost index fund benchmarks.

F. THE FOOL'S GAME.

92. Although required to consider expenses, AutoZone was permitted as a fiduciary to choose higher-fee mutual funds that sought to generate returns in excess of those generated by index funds.

93. Applicable trust law investment principles do indeed allow the use of management strategies that seek to beat the market, such as searching for advantageous segments of a market, or for individual bargains in the form of under-priced securities. Restatement (Third) of Trusts § 90, *cmt. h(2)*.

94. But an investment strategy involving the use of high-cost funds chasing excess returns must be implemented in a prudent manner. An ERISA fiduciary has an obligation under trust law to evaluate whether the additional costs of such a strategy are justified by a reasonable prospect of excess returns *net of costs*. "If the extra costs and risks of an investment program are *substantial*, these added costs and risks must be

[19] *See* Morningstar Analyst Report, June 26, 2019, Linda Abu Mushrefova, "PGIM Mid-Cap QMA Value: An undifferentiated, high-turnover, quant-driven approach aimed at uncovering attractively valued stocks." The report characterizes the commission cost from the high-turnover approach as excessive.

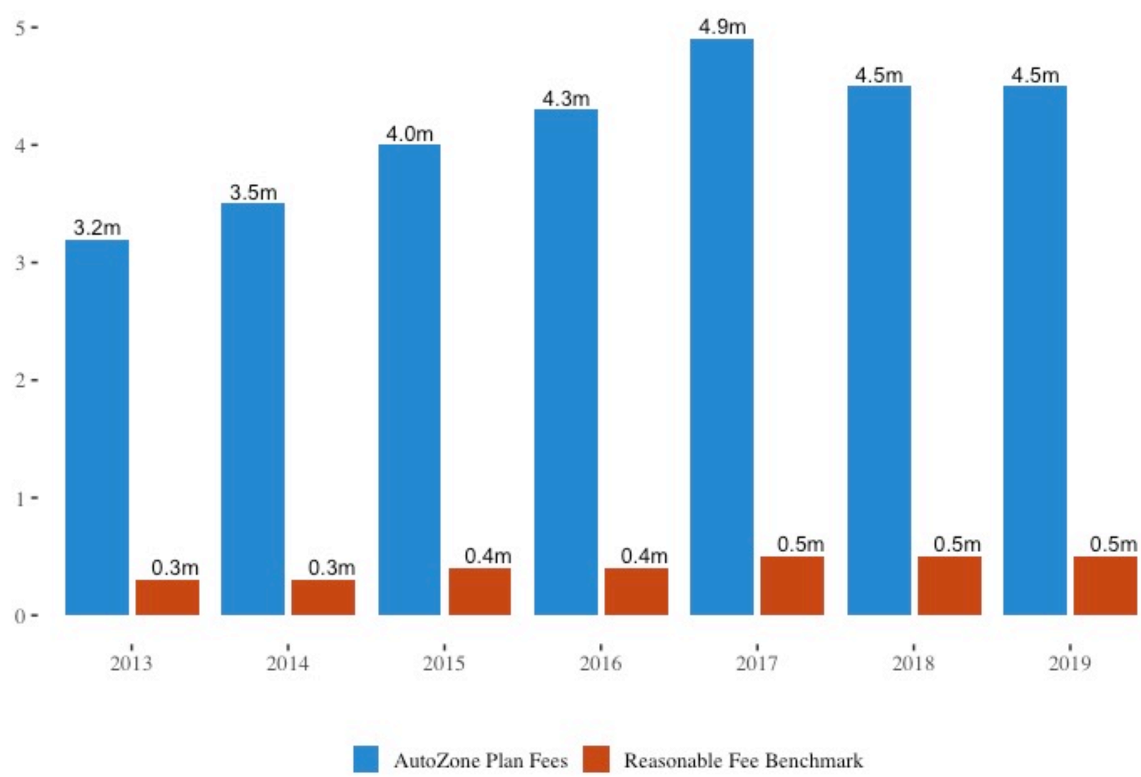
justified by realistically evaluated return expectations." Restatement (Third) of Trusts § 90, cmt. h(2) (emphasis added).

1. The Fees Wasted Chasing Excess Returns.

95. In AutoZone's case, there is no question that the additional costs AutoZone incurred, often more than 10 times the costs of the index fund approach, were substantial.

96. The difference between the money that AutoZone spent on investment management fees on these funds compared to the amount AutoZone would have spent had AutoZone merely chosen a low-fee index fund alternative invested in the same asset class is shown on the following chart:

Figure 7: *Fees Chasing Excess Returns (estimate in $ U.S. millions).*



Fees:	2013	2014	2015	2016	2017	2018	2019	Total
Plan	$3.2	3.5	4.0	4.3	4.9	4.5	4.5	28.9
Benchmark	0.3	0.3	0.4	0.4	0.5	0.5	0.5	2.9
Excess	-2.9	-3.2	-3.6	-3.9	-4.4	-4.0	-4.0	-$26.2m

97. AutoZone chose to spend a substantial amount of money, an estimated $26.2 million, chasing excess returns. AutoZone therefore had a fiduciary duty to determine whether these *substantial* additional costs were in fact justified by realistically evaluated return expectations. Absent such justification the money spent is simply wasted.

2. Actively Managed Funds.

98. Here the $26 million spent chasing excess returns was simply wasted. There are actively managed funds with substantial additional costs that can be justified by realistically evaluated return expectations. In these cases, the substantial additional costs must be justified by above-market returns that cover or exceed the additional costs[20]—that is, the fund's returns *net of* fees must be greater than the returns of the index and low-cost index fund benchmarks.

99. The great weight of authority, including the work of a series of winners of the Nobel Prize in economics, is that identifying a high-cost fund with substantial

[20] *See, e.g.,* Ken Kam, "Top 3 Funds that Beat Their Benchmarks the Most Over a Decade," Forbes (Jul 5, 2019) (evaluating the past performance of various S&P mutual funds that (by luck or skill) out-performed benchmarks indices and index funds after all fees). No opinion is expressed whether the manager of any funds achieved these returns as the result of luck or skill.

additional fees and costs that are actually justified by realistically evaluated return expectations is a difficult task.[21]

100. The best active managers are barely able to cover their extra fees, the majority underperform by approximately the amount of their fees and the worst do not even cover their fees.[22] Standard & Poors, which produces many of the most widely-used indexes, maintains a scorecard published semi-annually of whether the actively-managed funds beat their indexes. *See* S&P Indices Versus Active Funds (SPIVA) U.S. Scorecards (2013-2018).[23] The scorecards published before and during the Class Period show overwhelmingly that the majority of the active managers failed to deliver returns higher than their benchmark indices. *Id.*

101. It is exceedingly difficult to distinguish the managers that actually have the skill to beat the market net of costs from the ones that are merely lucky.[24] As Warren Buffet observed in a 2014 letter to shareholders, "There are a few investment managers, of course, who are very good – though in the short run, it's difficult to determine whether a great record is due to luck or talent. Most advisors, however, are far better at

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[21] *See* Fama and Modigliano *infra*.

[22] Carhart (1997) at p. 58, "Thus, the best past-performance funds appear to earn back their expenses and transaction costs even though the majority underperform by approximately their investment costs."

[23] Available at: https://us.spindices.com/resource-center/thought-leadership/spiva/

[24] Eugene F. Fama and Kenneth R. French, "Luck versus Skill in Mutual Fund Returns," The Journal of Finance 1933 (October 2010) ("This suggests that buried in the results are fund managers with more than enough skill to cover costs, and the lucky among them pull up the extreme right tail of the net return t(α) estimates. Unfortunately, these good funds are indistinguishable from the lucky bad funds that land in the top percentiles of the t(α) estimates but have negative true α."). Fama received the 2013 Nobel Prize in Economics.

generating high fees than they are at generating high returns. In truth, their core competence is salesmanship."[25]

102. AutoZone was not up to the task of implementing a high-cost, high-risk investment strategy. ERISA's prudent investor standard required AutoZone to have a prudent methodology for making sure participants' money was spent wisely – that is, AutoZone had to demonstrate that the Plan and the participants would be compensated for the additional costs by a justifiable expectation of additional returns over what participants could have earned simply by investing in low-cost index funds.

103. To justify implementing such a high-cost strategy AutoZone would have had to: (1) identify the pricing inefficiency in each asset class AutoZone intended to exploit through the use of an actively-managed fund; (2) identify the fund manager capable of exploiting that pricing inefficiency on a persistent basis; (3) quantify the additional fees and costs; and, (4) determine that the expected return of such a strategy would justify any substantial additional costs.

104. AutoZone failed in this task to demonstrate the competence, skill, effort, and diligence required of a prudent fiduciary. Among other things, AutoZone did not have or failed to follow a viable methodology for beating the market through the use of high-cost actively managed funds. This is demonstrated by the fact that the high-fee funds AutoZone utilized consistently failed to generate returns in excess of low-cost index fund alternatives. The following chart tracks the underperformance of AutoZone's high-cost funds relative to the performance of low-cost Vanguard index fund options:

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[25] Warren E. Buffett, 2014 - Berkshire Hathaway Shareholder Letter, p.19.

Figure 8: *Relative Returns of AutoZone Funds and Vanguard Benchmark through Sep. 30, 2019 (in basis points)*

	2014	2015	2016	2017	2018	2019	Total
GoalMaker:							
Prudential Stable Value:							
1 Prudential GIC Autozone	-153.3	18.9	-139.8	-211.7	79.6	-289.7	-696.0
Prudential Separate Accounts:							
2 Pru Jennison Growth Z	-50.2	88.6	-127.1	107.0	6.9	-81.2	-56.0
3 PIMCO Total Return	-29.2	0.0	0.0	0.0	0.0	0.0	-29.2
4 Eagle Mid Cap Growth	0.0	4.0	0.4	12.9	-0.7	2.3	18.9
5 QMA Mid Cap Value	1.0	-3.6	6.3	-4.1	-4.9	-6.7	-12.0
Mutual Funds:							
6 Pru Jennison Growth A	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7 Loomis Sayles Value Class Y	-39.4	0.0	0.0	0.0	0.0	0.0	-39.4
8 Delaware Value Fund Institutional Class	0.0	48.5	-33.1	0.5	73.3	-62.6	26.6
9 Lord Abbett Fundamental Equity Class A	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10 Baron Small Cap Institutional	-17.2	-18.9	0.0	0.0	0.0	0.0	-36.1
11 Boston Partners Small Cap Value Fund II Institutional	0.0	1.8	7.3	-12.0	-22.4	21.3	-4.0
12 Target Small Cap Value	10.0	0.0	0.0	0.0	0.0	0.0	10.0
13 American Europacific Growth R4	40.0	-4.0	-15.7	-183.4	-36.2	5.1	-194.2
14 Nationwide Geneva MidCap Growth Fund Institutional Service	-6.6	0.0	0.0	0.0	0.0	0.0	-6.6
15 Wells Fargo Small Company Growth R6	0.0	0.0	-22.0	-9.5	16.3	-60.6	-75.8
16 PIMCO Total Return Admin	0.0	0.0	0.0	0.0	0.0	0.0	0.0
17 Loomis Sayles Core Plus Bond Class A	0.0	-48.2	0.0	0.0	0.0	0.0	-48.2
18 Loomis Sayles Core Plus Bond Class N	0.0	0.0	53.4	18.0	-5.6	-0.3	65.5
Excluded from GoalMaker:							
Index Funds:							
19 Vanguard Developed Markets Index Fund Admiral	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20 Vanguard Total Stock Market Index Fund Inst'l	0.0	0.0	0.0	0.0	0.0	0.0	0.0
21 Vanguard Total Bond Market Index Investor	0.0	0.0	0.0	0.0	0.0	0.0	0.0
22 Vanguard Total Bond Market Index	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Combined Funds:							
23 *Total Portfolio Return*	**-244.8**	**87.0**	**-270.5**	**-282.3**	**106.2**	**-472.4**	**-1076.8**

105. In a plan with a prudent process for monitoring active equity funds, to justify the additional costs, performance figures should be positive not negative over the long term. A plan sponsor with a prudent process comparing the performance of the high-fee options to their indices and low-cost index fund benchmarks would have realized from the underperformance of the AutoZone funds that AutoZone's high-cost

strategy was failing. In a well-managed plan, failing high-cost funds would have been identified and removed.

106. It is difficult to imagine any circumstance in which a fiduciary with a prudent process would force plan participants seeking equity exposure to speculate in actively-managed, high-costs funds that consistently missed their benchmarks. This AutoZone did time and time again by retaining high-cost funds whose managers demonstrated no skill in beating their benchmarks. AutoZone doubled down on this bet by excluding low-cost index fund from a fund provider of unquestionable quality and reputation.

107. Some investors are able to execute an active strategy successfully on a consistent basis. Most are better off investing in safe, low-cost index funds as opposed to high-cost actively-managed funds chasing excess returns. As Warren Buffet explained in a 2014 letter to shareholders, there are simply too many ways for investors, institutional and individual alike, to go wrong, "The commission of the investment sins listed above is not limited to 'the little guy.' Huge institutional investors, viewed as a group, have long underperformed the unsophisticated index-fund investor who simply sits tight for decades. A major reason has been fees: Many institutions pay substantial sums to consultants who, in turn, recommend high-fee managers. And that is a fool's game."[26]

[26] Warren E. Buffet, 2014 - Berkshire Hathaway Shareholder Letter, p.19. https://www.berkshirehathaway.com/letters/letters.html

G. How the Kickbacks Are Paid.

108. The reason why GoalMaker included high fee funds and excluded low fee funds is simple. The high-fee funds selected by GoalMaker paid kickbacks to Prudential – that is, they made payments to Prudential as a result of being included in the GoalMaker lineup. *The low-fee index funds did not.* The following chart lists the third-party fees paid from the funds in AutoZone's investment menu:

Figure 9: *Fees Paid to Prudential From AutoZone Funds*

	Plan Fund	Payment to Prudential
GoalMaker:		
Stable Value		
1	Prudential GIC Autozone	2.00% / Spread
Stock		
2	Pru Jennison Growth Z	0.91% - mgmt
3	Eagle Mid Cap Growth	0.71% - mgmt. + .02% - other
4	QMA Mid Cap Value	.70% - mgmt. + .12% - other
5	Pru Jennison Growth A	0.92% - mgmt.
6	Loomis Sayles Value Class Y	-
7	Delaware Value Fund Institutional Class	0.25% - sub-TA
8	Lord Abbett Fundamental Equity Class A	0.35% - 12b1; .10% - sub-TA
9	Baron Small Cap Institutional	-
10	Boston Partners Small Cap Value Fund II Institutional	-
11	Target Small Cap Value	0.70 - mgt.; 0.2% other
12	American Europacific Growth R4	0.25% - 12b1 + 0.10% - sub-TA
13	Nationwide Geneva MidCap Growth Fund Institutional Service	0.25% - sub-TA
14	Wells Fargo Small Company Growth R6	-
Bond		
15	PIMCO Total Return	0.17% - other
16	PIMCO Total Return Admin	0.17% - 12b1
17	Loomis Sayles Core Plus Bond Class A	-
18	Loomis Sayles Core Plus Bond Class N	-

Excluded from GoalMaker:

Stock		
19	Vanguard Developed Markets Index Fund Admiral	-
20	Vanguard Total Stock Market Index Fund Inst'l	-
Bond		
21	Vanguard Total Bond Market Index Investor	-
22	Vanguard Total Bond Market Index	-

109. With the exception of one or two bond funds only, this is a *pay-to-play* scheme. To be included in GoalMaker a fund had to be managed by Prudential or its affiliates or pay fees to Prudential or its affiliates.

1. Proprietary Funds.

110. The most significant fees paid to Prudential were investment management fees. These included not only the 2.00% spread fee on the Prudential GIC, but also management fees in the expenses ratios of the various sub-advised Prudential separate accounts, resulting in a 0.91% expense ratio for Prudential Jennison Growth, a 0.72% ER for the Eagle Mid-Cap Growth, a 0.77% ER for QMA Mid-Cap Value; and a 0.68% for Target Small Cap. As previously stated, these fees were not justified based on the performance of the funds – the funds lost money by comparison to Vanguard benchmarks and thus the fees amounted to nothing more than a kickback.

2. Share Class.

111. It is generally true in investment management that the larger the size of an investor's available assets, the lower the investment management fees. Fiduciaries "cannot ignore the power the trust wields to obtain favorable investment products, particularly when those products are substantially identical—other than their lower

cost—to products the trustee has already selected." *Tibble v. Edison Int'l*, 843 F.3d 1187, 1198 (9th Cir. 2016) (*en banc*). The cost of managing investments for a single institutional investor, such as a retirement plan, is substantially less than the cost of managing the same investments for multiple individual retail investors. Thus, large retirement plans have substantial bargaining power to negotiate lower management fees for the same investment products. A large plan with a viable methodology will be able to easily identify the share classes with lower expenses, which are publicly disclosed by the SEC in its online EDGAR mutual fund database.

112. Here AutoZone, despite having access to professional advice and the responsibility to manage a $500 million retirement plan, has repeatedly failed to invest in the lower cost share classes available to it in order to properly reduce fees and costs associated with fund management, thus breaching its fiduciary duty to the Plan and its participants.

113. Shares of a single mutual fund may be offered in different "classes," corresponding to different shareholder rights and costs, such as different fee and "load" (*i.e.* sales) charges. All share classes of mutual funds charge fees for investment management - for the management of the assets of the fund. The cost may differ, but the investment product is *identical*. To be clear, the managers, investment styles, and stocks are not merely similar, but identical.

114. The two most common types of mutual funds are retail funds and institutional funds. Retail class shares – such as class A, B, and C shares – are available to a broad spectrum of investors, including individuals, while institutional class shares – such as class I and R6 shares – are typically only sold to larger investors, including

401(k) plans. The Department of Labor has advised that "[i]nstitutional mutual funds typically charge lower expense ratios than do the retail funds with similar holdings and risk characteristics. One estimate is that the typical institutional fund has an expense ratio that is 50 basis points lower than comparable retail funds." *U.S. Dep't of Labor Pension & Welfare Ben. Admin., Study of 401(k) Plan Fees and Expenses* (Apr. 13, 1998).

115. There also are significant differences in the expense ratios between and among the institutional share classes to which retirement plans have access. These differences typically appear in the mutual fund prospectus descriptions, "Annual Fund Operating Expenses," relating to the investment management fees, 12b-1 and sub-TA fees, and other fees. The Annual Fund Operating Expenses often are different for different classes of shares, depending on the type of distribution, 12b-1, and other fees included in the expense ratio.

116. A problem with share classes is that they provide an opportunity for unscrupulous service providers to take kickbacks from the mutual funds of a Plan whose fiduciaries are not paying attention. In this case, there were a number of funds that were not managed by Prudential but that kicked back substantial revenue to Prudential (Delaware Value, PIMCO Total Return, American Funds Europacific Growth, Nationwide Geneva Mid-Cap Growth, and Lord Abbett Fundamental Equity). These kickbacks included fees described as: 12(b)-1, sub-TA, and other fees.

117. A 12b-1 fee is an annual marketing or distribution fee for a mutual fund. The 12b-1 fee is considered to be an operational expense and, as such, is included in a

fund's expense ratio. For retirement plans, it is generally 0.25% - 0.35% of a fund's net assets.

118. In the early days of the mutual fund business, the 12b-1 fee was thought to help investors. It was believed that by marketing a mutual fund, its assets would increase and management could lower expenses because of economies of scale. This has yet to be proven. With mutual fund assets passing the $10 trillion mark and growing steadily, critics of this fee are seriously questioning the justification for using it. Today, the 12b-1 fee is mainly used to reward intermediaries for selling a fund's shares. As a commission paid to salespersons, it is currently believed to do nothing to enhance the performance of a fund.

119. Shareholder servicing fees are similar to 12b-1 fees, but are typically used by no-load mutual fund products. Only service providers such as recordkeepers (not salesmen) can receive these fees, which can be used to compensate a recordkeeper for recordkeeping, annual administration, and education services. No-load fund products can pay up to 0.25% of invested assets as a shareholder servicing fee without being required by SEC rules to call it a 12b-1 fee.

120. Sub-transfer agency fees (sub-TA fees) are payments to a recordkeeper who holds an omnibus account at the mutual fund company. Omnibus accounting eliminates the need for the mutual fund company to maintain individual participant accounts. Instead, participant accounts are maintained by the recordkeeper. Because this reduces the cost for the mutual fund company, the mutual fund company pays the recordkeeper a fee for this service. Typically, this fee ranges from 0.10% to 0.35% of invested assets.

121. As shown in ***Figure 9*** above, AutoZone, through GoalMaker, funnelled employees' retirement savings into funds that paid substantial 12b1, sub-TA, and other fees. Through GoalMaker, AutoZone excluded low cost index funds that did not pay such fees.

122. Retirement plans such as the AutoZone Plan can and should monitor and take advantage of volume discounts in purchasing mutual fund shares. Low-cost institutional share classes of mutual funds compared to high-priced retail shares are readily available to institutional investors such as AutoZone, which can easily meet minimum investment amounts for these share classes. A prudent fiduciary must have a viable methodology to monitor and select proper investment options and can easily spot the best share class options for the Plan. As stated by the SEC Office of Compliance Inspections and Examinations a fiduciary investment advisor "has failed to uphold its fiduciary duty when it causes a client to purchase a more expensive share class of a fund when a less expensive class of that fund is available."[27]

123. Mutual funds, moreover, are not static, and share classes change over time, as lower share classes are issued. For example, a plan may invest in an Advisor share class, the lowest cost class available at that time, only to find upon reading the prospectus of the mutual fund that an Institutional class has become available at a lower costs for the same mutual fund. A fiduciary with a prudent methodology will monitor and evaluate the share classes of the available mutual funds and have established a

[27] "OCIE's 2016 Share Class Initiative", National Exam Program Risk Alert, Securities and Exchange Commission, Office of Compliance Inspections and Examinations, July 13, 2016, available at: https://www.sec.gov/ocie/announcement/ocie-risk-alert-2016-share-class-initiative.pdf

process to move the Plan's assets into lower cost share classes as they become available. This is precisely what happened here, where AutoZone repeatedly breached its duty of prudence by failing to monitor and select the lowest cost share class investment options.

124. The following table summarizes the loss to the Plan by fund provider:

Figure 10: *Loss from Selection of Wrong Share Classes through Sep.30, 2019*

Fund Name	Share Class	Lower Share Class	ER Diff (%)	Excess Fees
American Europacific Growth	Class R4	Class R6	0.35	$1,364,142
Loomis Sayles Value	Class Y	Class N	0.15	126,622
Pru Jennison Growth	Class A / Sep. Act.	Class Z / R6	0.21	905,617
Vanguard Total Bond Market Index	Investor	Inst'l Plus	0.08	19,179
PIMCO Total Return	Admin / Sep. Act.	Institutional	0.2	202,643
Lord Abbett Fundamental Equity	Class A	Class I	0.35	174,425
Vanguard Total Stock Market Index	Institutional	Inst'l Plus	0.02	29,234
Nationwide Geneva MidCap Growth	Inst'l Service	Institutional	0.25	12,794
Delaware Value	Institutional	Class R6	0.10	144,096
Loomis Sayles Core Bond	Class A	Class N	0.33	132,718
				$ 3,111,469

125. The American Europacific Growth Fund is one of the more egregious examples. The Plan selected the R4 version of the fund (REREX). The REREX paid 25bps in 12b-1 fees and 10bps in sub-T/A fees to Prudential. The identical fund was available to the Plan in an R-6 share class, which paid no 12b-1 or sub-TA fees to Prudential, at an average cost of 0.50% per year over the Class Period, a difference of

0.35%. This 0.35% difference resulted in the waste of $1.4 m of retirement savings over the Class Period.

126. The following table calculates the loss for each of the years during the Class Period for which information is available:

Figure 11: *Calculation of Loss from American Funds Europacific Growth R4 (REREX) from Wrong Share Class*

Years	Fund Symbol	Alt. Symbol	Assets in Plan	Fund ER (%)	Alt. ER (%)	ER Diff. (%)	Excess Fees
2012	REREX	RERGX	34,784,802	0.85	0.50	0.35	121,747
2013	REREX	RERGX	45,798,427	0.85	0.50	0.35	160,294
2014	REREX	RERGX	48,665,352	0.84	0.49	0.35	170,329
2015	REREX	RERGX	54,253,890	0.84	0.49	0.35	189,889
2016	REREX	RERGX	59,062,850	0.85	0.50	0.35	206,720
2017	REREX	RERGX	77,071,413	0.85	0.50	0.35	269,750
2018	REREX	RERGX	72,180,451	0.83	0.49	0.34	245,414
						TOTAL	**$ 1,364,142**

127. The share class loss for REREX and for each of the other funds is set forth on the spreadsheets attached hereto as collective **Exhibit B.**

128. As shown in more detail in ***Figure 10***, AutoZone wasted approximately $3.25 million as a result of selecting the wrong share class of mutual funds for the Plan's investment menu. The process of selecting these funds was tainted, because the funds were selected not on the basis of their merits, but on the amount of fees paid to Prudential.

3. Administrative Expenses.

129. Recordkeeping is a necessary service for every defined contribution plan. The market for recordkeeping services is highly competitive. There are numerous recordkeepers in the marketplace capable of providing a high level of service to a large defined contribution plan like the Plan that will readily respond to a request for proposal. These recordkeepers primarily differentiate themselves based on price, and vigorously compete for business by offering the best price.

130. The cost of recordkeeping services typically depends primarily on the number of participants, not on the amount of assets in the participants' accounts. Thus, the cost of providing recordkeeping services to a participant with a $100,000 account balance is the same for a participant with $1,000 in her retirement account. Plans with large numbers of participants can take advantage of economies of scale: a plan with 15,000 participants can negotiate a much lower per participant fee for recordkeeping services than a plan with 1,000 participants.

131. In selecting a recordkeeper a fiduciary of a large plan such as the Plan at issue in this case should solicit competitive bid proposals from a number of recordkeepers. As part of this process, the plan fiduciary should require the recordkeeper to identify not only the level of recordkeeping services and their cost, but also the cost of proprietary products – that is, investments offered by the recordkeeper or its affiliates – that the Plan must select. In evaluating the compensation of a recordkeeper a plan fiduciary must consider the compensation of the recordkeeper from

all sources, whether from direct payments, income from stable value funds, fees from separate accounts, revenue share from mutual funds, among other sources.

132. To monitor recordkeeping costs a prudent fiduciary must engage in a process called "benchmarking" to verify that the recordkeeper selected charges reasonable fees. This involves, at the very least, comparing the cost of the proposed recordkeeper against the costs of the leading providers in the industry. Benchmarking is necessary both at the time a recordkeeper is selected, to verify the initial fees are reasonable, and at regular intervals thereafter.

133. In this case, based on information currently available to Plaintiffs regarding the Plan's features, the nature of the administrative services provided by Prudential, the Plan's participant level (10,000 to 15,000 during the Class Period) and the recordkeeping market, the outside limit of a reasonable recordkeeping fee for the Plan would have been no more than $50 per participant or $500,000 to $750,000 per year for the Plan (about $4.5 million total) over the six year Class Period.

134. In this case, Prudential's compensation from all sources was many multiples of this amount. The stable value fund alone generated more than $10 million in excess spread fees. Third-party payments kicked back an additional $3-4 million in fees and investment management fees from proprietary funds netted an additional $10 million or more. This compensation was grossly excessive.

H. THE DAMAGE DONE.

135. The recovery from a trustee for imprudent or otherwise improper investments is "the difference between (1) the value of those investments and their

income and other product at the time of surcharge and (2) the amount of funds expended in making the improper investments, increased (or decreased) by a projected amount of total return (or negative total return) that would have accrued to the trust and its beneficiaries if the funds had been properly invested." Restatement (Third) of Trusts, § 100 *cmt. b(1)* .

136. The standard for determining the impact of underperforming mutual funds is the comparison of the investment performance of the assets of the Plan invested in high-fee funds in the plan to the investment performance that assets of the Plan would have had if invested in low-cost index funds. *Brotherston v. Putnam Invs., L.L.C.*, 907 F.3d 17 (1st Cir. 2018). This can be estimated by taking the weighted average of the mutual funds from the plan's investment menu and using publicly available data on mutual fund returns.

137. Based upon the information presently available, Plaintiffs estimate that the Plan participants lost approximately $60 million of their retirement money as a result of AutoZone's breaches of fiduciary duty. The loss can be estimated by comparing the performance of the Plan to the performance of the Plan had it been prudently invested in funds in the same asset classes with reasonable fees.

138. The total loss[28] estimated through September 30, 2019 was:

[28] The estimate assumes that the Form 5500s are accurate as to the plan investments and that the contributions to and deductions from the funds were made monthly and were uniform. The estimate assumes that the contributions in 2018 were the same as in 2017. Plaintiffs reserve the right to refine the loss estimate once additional information is made available.

Figure 12: *Total Loss through Sep. 30, 2019 (in $ US millions)*

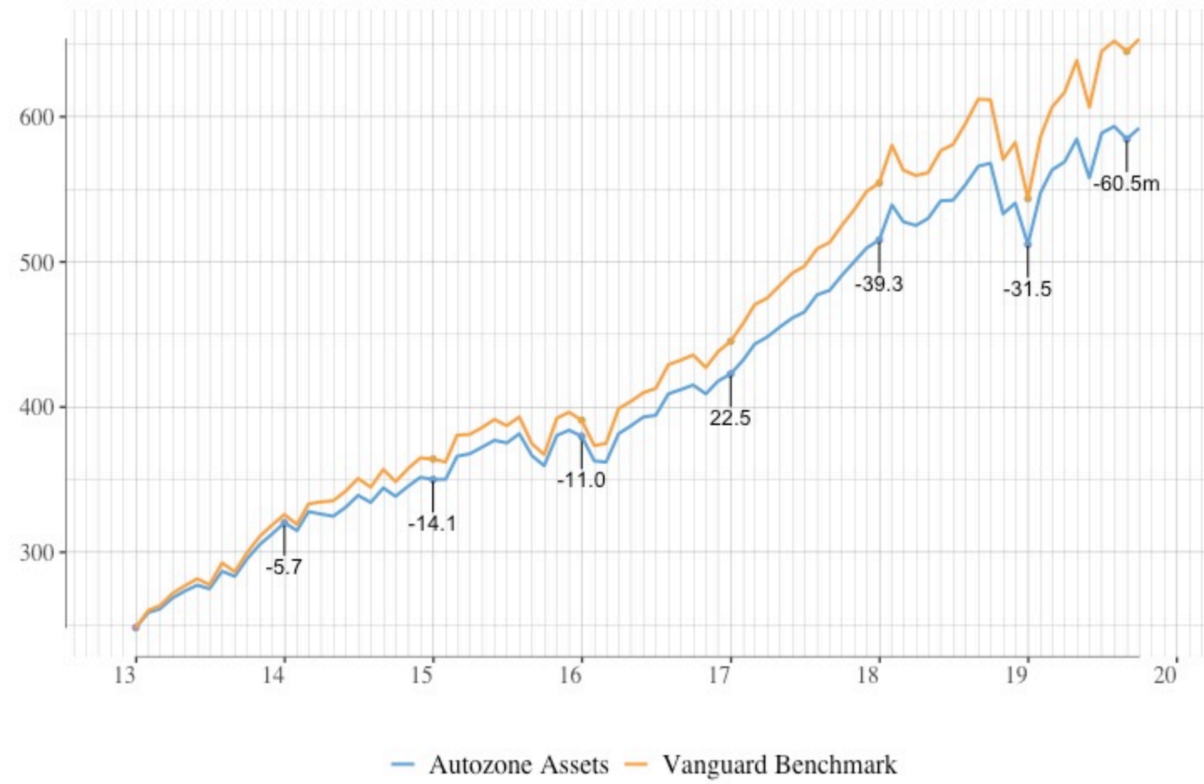

Figure 13: *Beginning of Period Assets of Plan and Benchmark (in $ US Millions)*

	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**As of Sep / 2019**
AutoZone	248.1	320.3	350.1	379.9	422.8	515.1	512.0	584.6
Benchmark	248.1	326.0	364.2	390.9	445.3	554.4	543.6	645.1
Gain/Loss	**0.0**	**-5.7**	**-14.1**	**-11.0**	**-22.5**	**-39.3**	**-31.5**	**-60.5**

139. The $60 million loss cannot be explained by standard pricing models taking risk and return into account. The average AutoZone mutual fund was riskier than the average index fund benchmark as measured by the standard deviation of the returns,[29] which means that the Plan returns adjusted for risk are even worse than the

[29] This is the generally accepted method of measuring risk in a portfolio of mutual funds.

returns shown.[30] Nor can the loss be attributed to any other commonly accepted risk and return factor.[31] Simply put, the losses were the result of AutoZone's breach of its fiduciary duties, not bad luck.

IV. CLASS ACTION ALLEGATIONS

140. 29 U.S.C. § 1132(a)(2) authorizes any participant or beneficiary of a plan to bring an action individually on behalf of the plan to enforce a breaching fiduciary's liability to the plan under 29 U.S.C. § 1109(a).

141. Plaintiffs seek to certify a class action on behalf of all participants and beneficiaries of the plan. The Named Plaintiffs seek to certify and to be appointed as representatives of the following Class:

> All persons, other than Defendant, who were participants since November 12, 2013 in the Plan, including (i) beneficiaries of deceased participants who, since November 12, 2013, were receiving benefit payments or will be entitled to receive benefit payments in the future, and (ii) alternate payees under a Qualified Domestic Relations Order who, since of November 12, 2013, were receiving benefit payments or will be entitled to receive benefit payments in the future; and (b) all persons, other than AutoZone, who have been participants or beneficiaries in either the Plan and had account balances in the Plan at any time between November 12, 2013 through the date of judgment.

142. Named Plaintiffs are members of the Class. Excluded from the Class are (a) any person who was or is an officer, director, employee, or a shareholder of 5% or

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[30] *See, e.g.,* Modigliani, Franco, "Risk-Adjusted Performance," Journal of Portfolio Management (Winter 1997) 45–54 (portfolio's excess return adjusted based on the portfolio's relative riskiness with respect to that of the benchmark portfolio). Modigliani is the recipient of the 1985 Nobel Prize in Economics.

[31] This would include the application of the Fama / French factors discussed by Fama / French and Carhart, *supra*.

more of the equity of any AutoZone or is or was a partner, officer, director, or controlling person of AutoZone; (b) the spouse or children of any individual who is an officer, director or owner of 5% or more of the equity of AutoZone; (c) Plaintiffs' counsel; (d) sitting magistrates, judges and justices, and their current spouse and children; and, (e) the legal representatives, heirs, successors and assigns of any such excluded person.

143. This action meets the requirements of Fed. R. Civ. P., Rule 23 and is certifiable as a class action for the following reasons:

a. While the precise number of Class Members is unknown to Plaintiffs at this time and can only be finally ascertained from books and records under the exclusive control of and maintained by AutoZone and/or its agents, Named Plaintiffs believe after inquiry that there are over 12,000 members of the Class located throughout the United States and that joinder of all members is impracticable; and,

b. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class because AutoZone owed fiduciary duties to the Plan and to all participants and beneficiaries, and took actions and omissions alleged herein as to the Plan, and not as to any individual participant; thus, there are effectively no individual issues. The common questions of law and fact include, without limitation:

   i. who are the fiduciaries liable for the remedies provided by 29 U.S.C. § 1109(a);

   ii. whether the fiduciaries of the Plan discharged their duties with the care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use;

   iii. whether or not the fiduciaries, prior to the time they engaged in the transactions described herein, had policies and procedures to investigate the merits of the investments and to structure the investments;

iv. whether or not the fiduciaries followed the policies and procedures to investigate the merits of the investments and to structure the investments prior to making such investments;

v. whether or not the fiduciaries had policies and procedures to monitor the prudence of the investments on an ongoing and regular basis, including but not limited to high cost funds as alleged herein;

vi. whether or not the fiduciaries followed the policies and procedures to monitor the prudence of the investments on an ongoing and regular basis, including but not limited to high cost funds as alleged herein;

vii. whether or not the fiduciaries understood and evaluated the plan fees and expenses associated with the plan's investments;

viii. whether or not the fiduciaries discharged their duties with respect to the plan solely in the interest of the participants and beneficiaries for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administration of the plan;

ix. whether or not any fiduciary knowingly participated in a breach of duty by another fiduciary;

x. whether or not any fiduciary knowingly failed to cure a breach of duty by another fiduciary;

xi. the losses to the Plan resulting from each breach of fiduciary duty; and,

xii. what Plan-wide equitable and other relief should the Court impose in light of AutoZone's breach of duty.

144. Named Plaintiffs' claims are typical of the claims of the Class because Named Plaintiffs were participants in the Plan during the time-Period at issue in this action and all participants in the Plan were harmed in the same manner by AutoZone's misconduct. The legal theories upon which Plaintiffs are proceeding are typical as well.

145. Named Plaintiffs are adequate representatives of the Class because they were and are participants in the Plan. Plaintiffs and all the Class Members were the subject of the same pattern and practices of equitable and Class violations, and all sustained damages arising out of the same wrongful course of conduct. AutoZone has acted or refused to act on grounds generally applicable to the Class. Named Plaintiffs have no interest in conflict with the Class, are committed to the vigorous representation of the Class, and have engaged experienced and competent attorneys to represent the Class.

146. Prosecution of separate actions for these breaches of fiduciary duties by individual participants and beneficiaries would create the risk of (A) inconsistent or varying adjudications that would establish incompatible standards of conduct for AutoZone in respect to the discharge of their fiduciary duties to the Plan and personal liability to the Plan under 29 U.S.C. § 1109(a), and (B) adjudications by individual participants and beneficiaries regarding these breaches of fiduciary duties and remedies for the Plans, as a practical matter, would be dispositive of the interests of the participants and beneficiaries not parties to the adjudication or would substantially impair or impede those participants' and beneficiaries' ability to protect their interests.

147. Therefore, this action should be certified as a class action under Fed. R. Civ. P., Rule 23(b)(1)(A) or (B).

148. A class action is the superior method for the fair and efficient adjudication of this controversy because joinder of over 15,000 participants and beneficiaries is impracticable, the losses suffered by individual participants and beneficiaries may be relatively small and impracticable for individual members to enforce their rights

through individual actions, and the common questions of law and fact predominate over individual questions. Given the nature of the allegations, no Class Member has an interest in individually controlling the prosecution of this matter, and Named Plaintiffs are unaware of any difficulties likely to be encountered in the management of this matter as a class action. Alternatively, then, this action may be certified as a class action under Fed. R. Civ. P. Rule 23(b)(3), if it is not certified under Rule 23(b)(1)(A) or (B).

149. Plaintiffs' counsel, Wiggins, Childs, Pantazis, Fisher & Goldfarb, LLC; James White Firm, LLC; and, Lange Clark, P.C. will fairly and adequately represent the interests of the Class, have substantial experience in class action and complex litigation, and are best able to represent the interests of the Class under Fed. R. Civ. P. Rule 23(g).

V. PLAN WIDE RELIEF

150. Additionally and alternatively, Plaintiffs bring this action as Plan participants seeking Plan wide relief for breach of fiduciary duty on behalf of the Plan. 29 U.S.C. § 1132(a)(2). AutoZone's fiduciary duty was to the Plan and the Plan itself was a victim of AutoZone's breach of its fiduciary duty; thus, Plaintiffs demand that AutoZone make good to the Plan all losses to the Plan caused by its breach of its fiduciary duty. 11 U.S.C. § 1109. The absent Plan participants are adequately represented and the Plan participants are so numerous that the delay and expense of joining them would be oppressive and burdensome. Plaintiffs will take adequate steps to properly act in a representative capacity on behalf of the Plan and will protect absent parties' interest as well as the interest of the judicial proceedings.

VI. COUNT ONE

BREACH OF FIDUCIARY DUTY

151. Plaintiffs adopt by reference the factual allegations of paragraphs 15 to 139.

152. This Count alleges breaches of fiduciary duty against AutoZone in that the process by which AutoZone selected, maintained, and monitored the investment options for and the cost and expenses of the Plan in which Plaintiffs and the putative class participated was tainted by a lack of competence, diligence, effort, or loyalty.

153. The scope of the fiduciary duties and responsibilities of AutoZone includes managing the assets of the Plan for the sole and exclusive benefit of Plan participants and beneficiaries, defraying reasonable excess expenses of administering the Plan, and acting with the care, skill, diligence, and prudence required by ERISA. (¶¶ 15-23 *supra*). AutoZone is directly responsible for ensuring that the Plan's fees are reasonable, evaluating and monitoring the Plan's investments on an ongoing basis and eliminating imprudent ones, and taking all necessary steps to ensure that the Plan's assets are invested prudently. In order to do so, AutoZone had to have a viable, documented process and methodology for monitoring the Plan's investment and expenses.

154. As the Supreme Court recently confirmed, ERISA's "duty of prudence involves a continuing duty to monitor investments and remove imprudent ones[.]" *Tibble,* 135 S. Ct. at 1829. Thus, to state a claim upon which relief can be granted, "A plaintiff may allege that a fiduciary breached the duty of prudence by failing to properly monitor investments and remove imprudent ones." *Id.* AutoZone failed to implement a

prudent process of the selection, monitoring, and retention or, as the case may be, removal of investment options. (¶¶ 22-120). AutoZone failed to discharge its duties with respect to the Plan with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. (*Id.*). AutoZone therefore breached its fiduciary duty of prudence under 29 U.S.C. § 1104(a)(1)(B). AutoZone is liable under 29 U.S.C. § 1109(a) to make good to the Plan any losses to the Plan resulting from the breaches of fiduciary duties alleged in this Count and is subject to other equitable or remedial relief as appropriate. Total Plan losses will be determined at trial after complete discovery in this case and are illustrated herein based upon the limited information that has been made available to Plan participants to date. (***Figures*** 12 and 13)

155. AutoZone also breached its fiduciary duty to the Plan and participants by failing to remove as an investment option the Prudential GIC which, in addition to the excessive spread fees, subjected participants to single entity credit risk and rates established at the discretion of a single provider, in violation of 29 U.S.C. § 1004(a)(1)(C).

156. AutoZone also failed in the written disclosures made by the Plan to provide participants with the complete and accurate information they required to make adequately informed investment decisions.

157. AutoZone also knowingly participated in the breaches by other plan fiduciaries, knowing that such acts were breaches, enabling the other plan fiduciaries to commit the breaches by failing to lawfully discharge its own fiduciary duties, and failed

to make any reasonable efforts under the circumstances to remedy the breaches. Thus, AutoZone is liable for the losses caused by the breach of its co-fiduciaries under 29 U.S.C. § 1105(a).

158. As a consequence of AutoZone's actions, Named Plaintiffs and the Class Members were damaged, including without limitation, suffering monetary losses.

VII. PRAYER FOR RELIEF

159. For these reasons, Named Plaintiffs, on behalf of the Plan and all similarly situated Plan participants and beneficiaries, respectfully requests that the Court:

a. Find and declare that AutoZone has breached its fiduciary duties as described above;

b. Find and adjudge that AutoZone and the other Plan fiduciaries are personally, jointly and severally liable to make good all losses to the Plan resulting from each breach of fiduciary duty, and to otherwise restore the Plan to the position it would have occupied but for the breaches of fiduciary duty;

c. Determine the method by which Plan losses under 29 U.S.C. § 1109(a) should be calculated, including, without limitation, lost investment opportunity;

d. Order AutoZone to provide an accounting necessary to determine the amounts AutoZone must make good to the Plan under § 1109(a);

e. Surcharge against AutoZone in favor of the Plan all amounts involved in any transactions which such accounting reveals were improper, excessive, and/or in violation of ERISA;

f. Enjoin AutoZone from the use of the GoalMaker program until and unless AutoZone has implemented a prudent methodology for selecting and monitoring the GoalMaker funds;

g. Certify the Class, appoint Named Plaintiffs as class representative, and appoint Wiggins, Childs, Pantazis, Fisher & Goldfarb, LLC, James White Firm, LLC, and Lange Clark, P.C. as Class Counsel;

h. Award to the Named Plaintiffs and the Class their attorneys' fees and costs under 29 U.S.C. § 1132(g)(1) and the common fund doctrine;

i. Order the payment of interest to the extent it is allowed by law; and

j. Grant other equitable, legal, to the extent available, or remedial relief as the Court deems appropriate to ensure that the Plan is managed by AutoZone and the other Plan fiduciaries in a manner consistent with their obligations under ERISA.

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TABLE OF FIGURES

Prudential Guaranteed Investment

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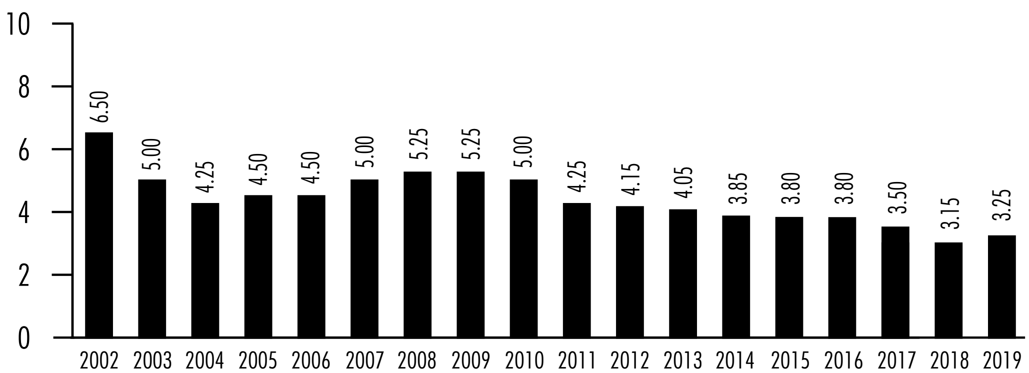
DESCRIPTION/OBJECTIVE

The Guaranteed Investment is a fixed income account invested in the General Account of Prudential Retirement Insurance and Annuity Company. The information on this page describes account objectives, guidelines and information for the Defined Contribution segment of the General Account, a multi-billion dollar fund, of which the Guaranteed Investment is a part. The goal of this defined contribution segment portfolio is to maximize the long-term rate of return consistent with insuring the safety of invested assets. By carefully structuring a portfolio of commercial mortgages plus privately placed and publicly traded debt securities, the portfolio manager seeks to achieve higher yields than are available from public offerings, as well as an essential degree of liquidity.

Key Facts

ADVISER:	PGIM
FUND CATEGORY:	Guaranteed Fixed Income
NET ASSETS:	$2.433 Billion
INCEPTION DATE:	January 1, 1988
PORTFOLIO MANAGEMENT TEAM:	Institutional Full Service Portfolio Strategy Team

Performance (%)



Prudential Guaranteed Investment Annual Net Declared Rates for WEA TSA Trust/WEA Member Benefit Trust

Past interest rates are not indicative of future interest rates. Returns are net of deduction for investments, risk and profit, and any contract-related expenses, and prior to deduction of administrative fees of the WEA Trust.

From January 1, 2019 through December 31, 2019, the declared rate for the Prudential Guaranteed Investment will be 3.25%. Interest is compounded daily to produce the 3.25% annual yield. The minimum guaranteed interest rate is 1%.

Prudential Guaranteed Investment

Second Quarter 2019 Fund Fact Sheet

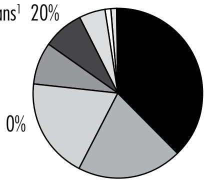
ADVANTAGE

The size and cash flow of the portfolio provide the portfolio manager with access to some of the best values within the fixed income investment universe. This permits the selection of those opportunities that produce an above-average return. The result is a broadly diversified multi-billion dollar fund which offers competitive rates of return, which are coupled with a full guarantee of principal and accumulated interest from the highly-rated Prudential Retirement Insurance and Annuity Company.

GUIDELINES

- The strategic asset allocation mix primarily includes public bonds, commercial mortgages and private placement bonds.
- The average life of the holdings is approximately four to seven years, with the final maturity of most holdings typically not exceeding ten years. This portfolio duration balances the objectives of superior investment returns with an essential degree of liquidity and rate responsiveness.
- The portfolio will consist of public and private securities that represent appropriate risk return char acteristics as determined by the portfolio managers. The portfolio will maintain an average quality rating that is investment grade and Prudential's risk management establishes limits for exposure to high yield.
- Investments are made in short-term money market instruments for cash flow management and during periods of market instability.
- The portfolio is broadly diversified across asset classes, sectors and issuers.
- The portfolio managers strive to be fully invested. They may make advance commitments, extend or shorten the average maturity of the portfolio within the normal range, or alter its investment mix to achieve the investment objectives.
- Principal and accumulated interest are fully guaranteed by Prudential Retirement Insurance and Annuity Company, which is rated AA- by Standard & Poor's, and Aa3 by Moody's as of 5/17/2019.

Investment by Asset Class 06/30/2019



- Public Corporate Bonds 38%
- Commercial Mortgage Loans[1] 20%
- Private Securities 19%
- CMO/CMBS[2] 8%
- ABS[3] 8%
- Agency MBS 5%
- US Treasuries & Agencies 0%
- Other[4] 1%
- Cash and Short-Term 1%

Guarantee Quality A+
Average Duration 3.4
Total High Yield Exposure 4.29% (included in the above allocations)

OTHER

Principal and accumulated interest are fully guaranteed by Prudential Retirement. The performance chart shows the investment returns of the Prudential Guaranteed Investment. Note that your actual account balance is influenced by the timing and size of your contributions, as well as the interest rate in effect. Guarantees are based upon the claims paying ability of the issuing company.

For informational or educational purposes only. This material is not intended as advice or recommendation about investing or managing your retirement savings. By sharing it, Prudential Retirement is not acting as your fiduciary as defined by the Department of Labor's Fiduciary rule or otherwise. If you need investment advice, please consult with a qualified professional.

[1] May include agriculture loans, transfer employee mortgages and residential mortgages

[2] CMBS = Commercial Mortgage Backed Securities

[3] Includes ABS = Asset Backed Securities, RMBS = Residential Mortgage Backed Securities, CMO = Collateralized Mortgage Obligation Securities

[4] May include equity, real estate and derivatives used to hedge various risks

Portfolio allocation is subject to change.

Average Quality is derived by taking the weighted average of the credit rating for each fixed income security in the portfolio.

Duration is a time measure (in years) of a fixed-income security's interest-rate sensitivity. Average duration is a weighted average of the duration of the underlying fixed-income securities within the portfolio.

Claims-paying ratings represent the opinions of rating agencies regarding the financial ability of an insurance company to meet its obligations under its insurance policies.

According to Standard & Poor's publications, an insurer rated "AA-" (4th category of 21) has very strong financial security characteristics, differing only slightly from those rated higher. An insurer rated "AAA" has extremely strong financial security characteristics. "AAA" is the highest Insurer Financial Strength Rating assigned by Standard & Poor's.

Moody's indicates that "Aa3" (4th category of 21) rated insurance companies offer good financial security. Insurance companies rated "Aaa" offer exceptional financial security. In addition, Moody's appends numerical modifiers 1, 2, 3 to each generic rating classification, with 1 being the highest and 3 being the lowest. While the credit policy of these companies is likely to change, such changes as can be visualized are most unlikely to impair their fundamentally strong position. "Aaa" is the highest Insurer Financial Strength Rating assigned by Moody's.

The Prudential Guaranteed Investment is a group annuity product issued by Prudential Retirement Insurance and Annuity Company (PRIAC). Amounts contributed to the contract are deposited in PRIAC's general account. Payment obligations and the fulfillment of any guarantees specified in the group annuity contract are insurance claims supported by the full faith and credit of PRIAC. PRIAC periodically resets the interest rate credited on contract balances, subject to a minimum rate specified in the group annuity contract and subject to change. Past interest rates are not indicative of future rates.

PRIAC is compensated in connection with this product by deducting an amount for investment expenses and risk from the investment experience of certain assets held in PRIAC's general account. PRIAC uses a portion of its aggregate revenue to reimburse WEA for certain of its recordkeeping expenses in connection with the WEA TSA and WEAC IRA programs.

Frequent exchanging between plan investment options may harm long-term investors. Your plan or the plan's investment funds may have provisions to deter exchanges that may be abusive. These policies may require us to modify, restrict or suspend purchase or exchange privileges and/or impose redemption fees.

PRIAC is a Prudential Financial company. PGIM is a Prudential Financial company. PGIM is a registered investment advisor.

Prudential

EXHIBIT A

FUND FACT SHEET USER'S GUIDE

This guide will help provide a glossary of terms and benchmark definitions commonly found on fund fact sheets.

In providing this information Prudential Retirement is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity.

Prudential Retirement may benefit from advisory and other fees paid to it or its affiliates for managing, selling, or settling of the Prudential mutual funds and other investment products or securities offered by Prudential Retirement or its affiliates. Investment vehicles sponsored or managed by a Prudential Retirement affiliate generate more revenue for the Prudential enterprise than non-proprietary investment vehicles. Prudential Retirement's sales personnel generally receive greater compensation if plan assets are invested in proprietary investment vehicles. Prudential Retirement may benefit directly from the difference between investment earnings of Prudential Retirement's stable value funds and the amount credited to deposits in those funds. Prudential Retirement may also benefit from broker-dealer or other entities' co-sponsorship of Prudential conferences.

Fund/Portfolio Catagory Morningstar, an investment research and investment management firm, assigns each mutual fund to a category, based on their actual investment style as measured by their underlying portfolio holdings over the past three years. Categories for Manager of Managers separate accounts are determined by Prudential.

Expense Ratio The net and gross expenses shown include the total operating expenses of the funds and the indirect expenses of the funds' underlying portfolios. Your investment returns are reduced by various fees and expenses. For each plan investment option, the "Expense Ratio" presentation shows these charges as an annual percentage. Depending on the type of investment, these charges are paid to Prudential or to unaffiliated mutual fund complexes or bank collective trusts. For mutual funds the Expense Ratio is not reduced by any fee or expense waivers from the fund complex (i.e., Gross Expense Ratio), and therefore the actual Expense Ratio may be lower. For other investment options, including separate accounts and bank collective trusts, the benefit of any waivers is reflected in the Expense Ratio (i.e., Net Expense Ratio). Not all funds charge an Expense Ratio. Please see specific fund factsheets for details.

Overall Morningstar Rating™ Portfolio's overall rating.

Morningstar Rating™ (Open End Mutual Funds, Closed End Funds, or Variable Annuity Underlying Funds)

For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a funds' monthly performance (including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its three-, five-, and ten-year (if applicable) Morningstar Rating metrics. Past performance is no guarantee of future results.

Morningstar Rating™ (Group Annuity- Variable Annuity Subaccounts)

The Morningstar Rating™ is provided for those group variable annuities with at least a three-year history. Ratings are based on the group variable annuity's Morningstar Risk-Adjusted Return measure which accounts for variation in monthly performance, placing more emphasis on downward variations and rewarding consistent performance. Morningstar compares each group variable annuity's risk-adjusted return to the open-end mutual fund rating breakpoints for that category. The group variable annuity Morningstar Rating does not affect the retail mutual fund data published by Morningstar. Consistent with the open-end mutual fund ratings, the top 10% of group variable annuities in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The Overall Morningstar Rating for each group variable annuity is derived from a weighted average of the performance figures associated with its three-, five- and ten-year (if applicable) Morningstar Rating metrics. Past performance is no guarantee of future results.

Morningstar Rating™ (Based on Extended Performance)

Please note, some of the Morningstar proprietary calculations, including the Morningstar Rating™, are not customarily calculated based on adjusted historical returns. The evaluation of this investment does not affect the retail mutual fund data published by Morningstar. For each retail mutual fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) The Overall Morningstar Rating for a retail mutual fund is derived from a weighted average of the performance figures associated with its three-, five- and ten-year (if applicable) Morningstar Rating metrics. This investment's independent Morningstar Rating metric is then compared against the retail mutual fund universe breakpoints to determine its hypothetical rating. Past performance is no guarantee of future results.

Portfolio Manager The name of the person(s) who determines which stocks, bonds and cash equivalents belong in the investment portfolio.

Morningstar Style Box/Investment Style Box While the category description tells you how the portfolio has been run in the past, the Style Box is a snapshot of what the portfolio currently owns. For equity separate accounts, Investment Style Box data is based on a quarter lag and assigned by Prudential.

Morningstar Style Box™

The Morningstar Style Box™ reveals a fund's investment strategy. For equity funds the vertical axis shows the market capitalization of the long stocks owned and the horizontal axis shows investment style (value, blend, or growth).

For fixed-income funds, the vertical axis shows the credit quality of the long bonds owned and the horizontal axis shows interest rate sensitivity as measured by a bond's effective duration.

Morningstar seeks credit rating information from fund companies on a periodic basis (e.g., quarterly). In compiling credit rating information Morningstar accepts credit ratings reported by fund companies that have been issued by all Nationally Recognized Statistical Rating Organizations (NRSROs). For a list of all NRSROs, please visit http://www.sec.gov/divisions/marketreg/ratingagency.htm. Additionally, Morningstar accepts foreign credit ratings from widely recognized or registered rating agencies. If two rating organizations/agencies have rated a security, fund companies are to report the lower rating; if three or more organizations/agencies have rated a security, fund companies are to report the median rating, and in cases where there are more than two organization/agency ratings and a median rating does not exist, fund companies are to use the lower of the two middle ratings. PLEASE NOTE: Morningstar, Inc. is not itself an NRSRO nor does it issue a credit rating on the fund. An NRSRO or rating agency ratings can change from time-to-time.

For credit quality, Morningstar combines the credit rating information provided by the fund companies with an average default rate calculation to come up with a weighted-average credit quality. The weighted-average credit quality is currently a letter that roughly corresponds to the scale used by a leading NRSRO. Bond funds are assigned a style box placement of "low", "medium", or "high" based on their average credit quality. Funds with a low credit quality are those whose weighted-average credit quality is determined to be less than "BBB-"; medium are those less than "AA-", but greater or equal to "BBB-"; and high are those with a weighted-average credit quality of "AA-" or higher. When classifying a bond portfolio, Morningstar first maps the NRSRO credit ratings of the underlying holdings to their respective default rates (as determined by Morningstar's analysis of actual historical default rates). Morningstar then averages these default rates to determine the average default rate for the entire bond fund. Finally, Morningstar maps this average default rate to its corresponding credit rating along a convex curve.

For interest-rate sensitivity, Morningstar obtains from fund companies the average effective duration. Generally, Morningstar classifies a fixed-income fund's interest-rate sensitivity based on the effective duration of the Morningstar Core Bond Index (MCBI), which is currently three years. The classification of Limited will be assigned to those funds whose average effective duration is between 25% to 75% of MCBI's average effective duration; funds whose average effective duration is between 75% to 125% of the MCBI will be classified as Moderate; and those that are at 125% or greater of the average effective duration of the MCBI will be classified as Extensive. For municipal bond funds, Morningstar also obtains from fund companies the average effective duration. In these cases static breakpoints are utilized. These breakpoints are as follows: (i) Limited: 4.5 years or less; (ii) Moderate: more than 4.5 years but less than 7 years; and (iii) Extensive: more than 7 years. In addition, for non-US taxable and non-US domiciled fixed income funds static duration breakpoints are used: (i) Limited: less than or equal to 3.5 years; (ii) Moderate: greater than 3.5 and less than equal to 6 years; (iii) Extensive: greater than 6 years.

Morningstar Volatility Rank is an investment's 3-year standard deviation overall percentile rank within its US open-end, VA/L fund, or VA/L subaccount universe. The investment with the lowest standard deviation receives a rank of 1. We then classify investment portfolios as having one of three volatility levels relative to all types of mutual funds: Low, Moderate, and High. Investments with wider ranges of returns are labeled "high," as they are considered riskier than "low" volatility investments, which have had smaller ranges of returns.

Annual Performance Calendar year returns for the fund and corresponding benchmarks.

Top Five Holdings The top holdings are the stocks or bonds with the most influence on a portfolio's returns.

Allocation We break down the investment holdings into general investment classes. The pie chart shows how much emphasis is placed on stocks, bonds or cash. We also show how much is held in foreign stocks. Bond investments replace the portfolio allocation chart with the following: Quality Distribution: We reveal the quality of the bonds in a bond-heavy portfolio, from least risky to most risky, with the percentage assigned to each.

Sector Allocation Morningstar classifies each stock holding into 11 major industrial sectors for all Retail, Non-Qualified and Variable Annuity Fact sheets. The top five are listed on the Fund Fact Sheets. For Manager of Managers Institutional Equity Sub-Advised Separate Accounts Source of Sector Classification: S&P/MSCI.

Performance The total return is shown for the quarter, year-to-date and preceding year, as well as the average annual total return for the past three, five, and 10 years, or since inception. To provide you with a point of comparison, the returns of the benchmark indexes are shown for the quarter, year-to-date, one, three, five and 10 year periods. For Manager of Managers separate accounts, we may also present a second index reflecting the category's performance.

Benchmark Performance The holdings and characteristics may differ from those of the benchmark(s), and such differences may be material. Factors affecting portfolio performance that do not affect benchmark performance may include portfolio rebalancing, the timing of cash flows, credit quality, diversification and differences in volatility. In addition, financial indices do not reflect the impact of fees, applicable taxes or trading costs which reduce returns. Unless otherwise noted, financial indices assume reinvestment of dividends. You cannot make a direct investment in an index. The statistical data regarding such indices has not been independently verified.

Description of PRIAC Separate Accounts

In addition to registered mutual funds and bank collective trust funds, PRIAC makes available an array of insurance company separate accounts ("Separate Account") from which the retirement plan's fiduciary can construct the investment lineup for your retirement plan. A PRIAC Separate Account is an insurance company separate account whose investors include only qualified retirement plans and certain governmental retirement plans. PRIAC makes most Separate Accounts available as commingled investment vehicles; however, in certain instances, PRIAC may make a Separate Account available only to a single retirement plan client.

PRIAC offers a variety of different types of Separate Accounts through a group annuity contract issued by PRIAC. Each retirement plan's fiduciary is generally responsible for all investment decisions related to its plan and for selecting the investment options for the retirement plan's investment lineup. Each retirement plan's fiduciary is also responsible for monitoring and, if necessary, replacing the investment options on the retirement plan's investment lineup. The following is a general description of the types of Separate Accounts offered by PRIAC.

A Custom Client Separate Account PRIAC provides investors with the information in this Fact Sheet to assist them in making investment decisions regarding the Fund. Investors must determine whether any other information is necessary in making those decisions. The investor is solely responsible for obtaining any other information required by the investor, which may not be available from PRIAC. To the extent PRIAC provides such information, PRIAC makes no warranty as to the accuracy of such information and makes no undertaking to continue to provide such information unless PRIAC agrees to continue to provide such information in writing. The investor is solely responsible for the decision to invest or continue to invest in the Fund. PRIAC assumes no responsibility for any investor's decision to invest or continue to invest in the Fund. Selection or termination of the Fund on a retirement plan's investment line-up is the sole responsibility of each retirement plan's fiduciary. These Separate Accounts are not part of the Manager of Manager's program.

ISelect Platform: Limitation of PRIAC's Responsibilities Institutional Select Separate Accounts PRIAC provides investors with the information in this Fact Sheet to assist them in making investment decisions regarding the Fund. Investors must determine whether any other information is necessary in making those decisions. The investor is solely responsible for obtaining any other information required by the investor, which may not be available from PRIAC. The investor is solely responsible for the decision to invest or continue to invest in the Fund. PRIAC assumes no responsibility for any investor's decision to invest or continue to invest in the Fund. These Separate Accounts are not part of the Manager-of-Managers program and therefore, PRIAC does not assume any responsibility with respect to the selection, monitoring, or replacement of the investment manager. Selection or termination of the Fund on a retirement plan's investment line-up is the sole responsibility of each retirement plan's fiduciary.

PRIAC Manager-of-Managers Institutional Sub-Advised Separate Accounts With respect to separate accounts designated by Prudential as Institutional Sub-Advised Funds under the Manager-of-Managers Program, PRIAC acknowledges it is a fiduciary as defined by ERISA Section 3(38), as amended, for the selection, monitoring, and, if necessary, the replacement of the investment manager. Selection or termination of the fund on a retirement plan's investment line-up is the sole responsibility of each retirement plan's fiduciary.

PRIAC Manager-of-Managers Retail-Branded Sub-Advised Separate Accounts With respect to separate accounts designated by Prudential as Retail-Branded Sub-Advised Funds under the Manager-of-Managers Program, PRIAC acknowledges it is a fiduciary as defined by ERISA Section 3(38), as amended, for the selection, monitoring, and if necessary, replacement of the investment manager. Selection or termination of the Fund on a retirement plan's investment line-up is the sole responsibility of each retirement plan's fiduciary.

Proprietary Separate Accounts Proprietary Funds are managed by an affiliate of PRIAC. Although PRIAC may provide periodic monitoring with respect to certain Proprietary Funds, Proprietary Funds are not part of PRIAC's Manager-of-Managers Program, and therefore, PRIAC does not assume any responsibility with respect to the selection, monitoring, or replacement of the investment manager. Selection or termination of the Fund on a retirement plan's investment line-up is the sole responsibility of each retirement plan's fiduciary.

Prudential Retirement Separate Account Fund-of-Fund Products These Fund-of-Funds are not part of the Manager-of-Managers program, and therefore, PRIAC does not assume any responsibility with respect to the selection, monitoring, or replacement of the underlying investment options. Selection or termination of the Fund on a retirement plan's investment line-up is the sole responsibility of each retirement plan's fiduciary.

Custom Plan Investment Options (Recordkeeping Constructs)

These investment options are designed and maintained by your plan sponsor and/or the plan's investment adviser <u>and are not investment options offered by PRIAC.</u> PRIAC provides investors with the information in this Fact Sheet to assist them in making investment decisions regarding the investment option. Investors must determine whether any other information is necessary in making those decisions. The investor is solely responsible for obtaining any other information required by the investor, which may not be available from PRIAC. The investor is solely responsible for the decision to invest or continue to invest in the investment option. PRIAC assumes no responsibility for any investor's decision to invest or continue to invest in the investment option. Selection or termination of the Fund on a retirement plan's investment line-up is the sole responsibility of each retirement plan's fiduciary. These investment options are not part of the Manager-of-Managers program.

Description of PICA Separate Accounts

The Prudential Insurance Company of America, Inc. (PICA) makes available group annuity insurance contracts such as variable annuities and insurance company separate accounts to institutional clients. Each retirement plan's fiduciary is generally responsible for all investment decisions related to its plan and for selecting the investment options for the retirement plan's investment lineup. Each retirement plan's fiduciary is also responsible for monitoring and, if necessary, replacing the investment options on the retirement plan's investment lineup.

For More Information

Para hablar con un representante de servicios al cliente en español (u otros lenguajes), por favor, llama a nuestro numero gratuito 800 entre las 8:00 a.m. y las 8:00 p.m., Hora del Este, días de trabajo. (To speak with a Prudential Service Representative through an interpreter in Spanish (or other languages), please call our toll-free number week-days between 8:00 a.m. and 8:00 p.m. Eastern Time.)

Mutual funds are distributed by Prudential Investment Management Services LLC. (PIMS) a registered broker-dealer. Prudential Fixed Income and Prudential Real Estate Investors are units of PGIM, Inc. Effective January 4, 2016, Prudential Investment Management ("PIM") rebranded itself as PGIM to coincide with the expansion of its businesses around the world. QMA, Jennison Associates, and PGIM are registered investment advisors. All are Prudential Financial companies and affiliates of Prudential Retirement Insurance and Annuity Company (PRIAC).

QMA is the primary business name of Quantitative Management Associates LLC.

Benchmark Definitions

MSCI has not approved, reviewed or produced this report, makes no express or implied warranties or representations and is not liable whatsoever for any data in the report. You may not redistribute the MSCI data or use it as a basis for other indices or investment products. Certain information contained in this product or report is derived by PGIM, Inc. in part from MSCI's **EAFE, Emerging Markets™, Europe ex U.K., Japan Net Dividend, Pacific Ex Japan Net Dividend and/or United Kingdom Net Dividend** Index (the "Index Data"). However, MSCI has not reviewed this product or report, and MSCI does not endorse or express any opinion regarding this product or report or any analysis or other information contained herein or the author or source of any such information or analysis. Neither MSCI nor any third party involved in or related to the computing or compiling of the Index Data makes any express or implied warranties, representations or guarantees concerning the Index Data or any information or data derived therefrom, and in no event shall MSCI or any third party have any liability for any direct, indirect, special, punitive, consequential or any other damages (incuding lost profits) relating to any use of this information. Any use of the Index Data requires a direct license from MSCI. None of the Index Data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

• *Source: Bloomberg Barclays Indices, POINT ©2017 Bloomberg Barclays Inc.:"Bloomberg Barclays and POINT are registered trademarks of Bloomberg Barclays Inc. or its affiliates".*

3-Year Constant Maturity Treasury (CMT) Index: Treasury Yield Curve Rates, commonly referred to as "Constant Maturity Treasury" rates, or CMTs, are interpolated by the U.S. Treasury from the daily yield curve. This curve, which relates the yield on a security to its time to maturity is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. These market yields are calculated from composites of quotations obtained by the Federal Reserve Bank of New York. The yield values are read from the yield curve at a fixed maturity of 3 years.

3-Year Treasury Average Yield: The average daily treasury yield for U.S. Treasury Notes with a maturity of three years (negotiable debt obligations of the U.S. Government, considered intermediate in maturity).

5-Year Treasury Average Yield: The average daily treasury yield for U.S. Treasury Notes with a maturity of five years (negotiable debt obligations of the U.S. Government, considered intermediate in maturity).

60% Russell 1000 Growth Index/40% Bloomberg Barclays U.S. Aggregate Bond Index: An unmanaged, weighted-average composite consisting of the Russell 1000® Growth Index (60%) and the Bloomberg Barclays Aggregate Bond Index (40%).

60% Russell 1000 Growth Index/40% Bloomberg Barclays U.S. Intermediate Government/ Credit Index: An unmanaged, weighted-average composite consisting of the Russell 1000 Growth Index (60%) and the Bloomberg Barclays Intermediate U.S. Government/ Credit Index (40%).

60% Russell 1000 Value Index/40% Bloomberg Barclays U.S. Aggregate Bond Index: An unmanaged, weighted-average composite consisting of the Russell 1000 Value Index (60%) and the Bloomberg Barclays Aggregate Bond Index (40%).

60% Russell 1000 Value Index/40% Bloomberg Barclays U.S. Intermediate Government/ Credit Index: An unmanaged, weighted-average composite consisting of the Russell 1000 Value Index (60%) and the Bloomberg Barclays Intermediate U.S. Government/ Credit Index (40%).

60% S&P 500 Index/40% Bloomberg Barclays U.S. Aggregate Bond Index: An unmanaged, weighted-average composite Index that consists of the S&P 500 Index (60%) and the Bloomberg Barclays U.S. Aggregate Bond Index (40%).

Bloomberg Barclays Global Aggregate Bond Index Ex-US (USD Hedged): Measures the performance of global investment grade fixed-rate debt markets that excludes USD-dominated securities.

Bloomberg Barclays Municipal 10 Yr 8-12 Index: Measures the performance of USD-denominated long-term tax exempt bond market with maturities of 10 years(8-12), including state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

Bloomberg Barclays Municipal 20 Yr 17-22 Index: Measures the performance of USD-denominated long-term tax exempt bond market with maturities of 20 years(17-22), including state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

Bloomberg Barclays Municipal 3 Yr 2-4 Index: Measures the performance of USD-denominated long-term tax exempt bond market with maturities of 3 years(2-4), including state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

Bloomberg Barclays U.S. Aggregate Bond Index: Measures the performance of investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-through's), ABS, and CMBS. It rolls up into other Bloomberg Barclays flagship indices, such as the multi-currency Global Aggregate Index and the U.S. Universal Index, which includes high yield and emerging markets debt.

Bloomberg Barclays Municipal California Exempt TR: Measures the performance of USD-denominated long-term tax exempt bond market, including California bonds only.

Bloomberg Barclays Municipal New York Exempt TR: Measures the performance of USD-denominated long-term tax exempt bond market, including New York bonds only.

Bloomberg Barclays U.S. Corporate High-Yield Index: Measures the performance of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds, including corporate bonds, fixed-rate bullet, putable,and callable bonds,SEC Rule 144A securities,Original issue zeros, Pay-in-kind (PIK) bonds, Fixed-rate and fixed-to-floating capital securities.

Bloomberg Barclays U.S. High Yield Bond Index, 2% Issuer Capped: Measures the performance of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. It follows the same rules as the uncapped index but limits the exposure of each issuer to 2% of the total market value and redistributes any excess market value index-wide on a pro-rata basis.

Bloomberg Barclays U.S. Intermediate Government/ Credit Index: Measures the performance of the U.S. investment grade fixed rate bond market, with index components for Agencies, Financial Institutions, Industrial, Treasuries and Utility, with remaining time to maturity of 1-10 years. It's a custom index.

Bloomberg Barclays U.S. Credit Index: Measures the performance of the US Corporate and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities. It is a subset of the US Government/Credit Index and the US Aggregate Index.

Bloomberg Barclays U.S. Government Index: Measures the performance of the U.S. Treasury and U.S. Agency Indices, including Treasuries and U.S. agency debentures. It is a component of the U.S. Government/Credit Index and the U.S. Aggregate Index.

Bloomberg Barclays Govt/Corp 1 Yr Duration Index: Measures the performance of investment grade, U.S. denominated, fixed-rate securities excluding STRIPS, TIPS and floaters. Its minimum index rating is A3 and the max maturity is 5 years.

Bloomberg Barclays U.S. Government 1-5 Year Index: Measures the performance of US Treasurys and US Agency bonds with maturities of 1 (inclusive) to 5 (exclusive) years.

Bloomberg Barclays U.S. Government Bond Index: Measures the performance of the U.S. Treasury and U.S. Agency Indices, including Treasuries and U.S. agency debentures. It is a component of the U.S. Government/Credit Index and the U.S. Aggregate Index.

Bloomberg Barclays U.S. Government/Credit 1-5 Year Index: Measures the performance of the non-securitized component of the U.S. Aggregate Index including treasuries, government-related issues and corporates with maturities of one to five years. It is a subset of the U.S. Aggregate Index.

Bloomberg Barclays U.S. Government/Credit 5-10 Year Index: Measures the performance of the US Corporate and a non-corporate component with maturities of 5-10 year that includes foreign agencies, sovereigns, supranationals and local authorities. It is a subset of the US Government/Credit Index and the US Aggregate Index.

Bloomberg Barclays U.S. Government/Credit Index: Measures the performance of non-securitized component of the U.S. Aggregate Index including Treasuries, government-related issues and corporates. It is a subset of the U.S. Aggregate Index.

Bloomberg Barclays U.S. Government Long Index: Measures the performance of non-securitized component of the U.S. Aggregate Index with maturities of 10 years and greater, including Treasuries, government-related issues and corporates. It is a subset of the U.S. Aggregate Index.

Bloomberg Barclays U.S. Long Term Government/ Credit Index: Measures the performance of non-securitized component of the U.S. Aggregate Index with maturities of 10 years and greater, including Treasuries, government-related issues and corporates. It is a subset of the U.S. Aggregate Index.

Bloomberg Barclays U.S. Long Term Credit Index: Measures the performance of the US Corporate and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities with maturities of 10 years and greater. It is a subset of the US Government/Credit Index and the US Aggregate Index.

Bloomberg Barclays U.S. Mortgage Backed Securities Index: Measures the performance of the agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

Bloomberg Barclays U.S. Municipal Index: Measures the performance of USD-denominated long-term tax exempt bond market, including state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

Bloomberg Barclays U.S. Treasury Inflation-Protected Securities (TIPS) Index: Measures the performance of rules-based, market value-weighted inflation-protected securities issued by the U.S. Treasury. It is a subset of the Global Inflation-Linked Index (Series-L).

Bloomberg Barclays U.S. Universal Index: Measures the performance of USD-denominated, taxable bonds that are rated either investment grade or high-yield. It represents the union of the U.S. Aggregate Index, U.S. Corporate High Yield Index, Investment Grade 144A Index, Eurodollar Index, U.S. Emerging Markets Index, and

excludes USD-dominated securities.

Bloomberg Barclays Municipal 10 Yr 8-12 Index: Measures the performance of USD-denominated long-term tax exempt bond market with maturities of 10 years(8-12), including state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

Bloomberg Barclays Municipal 20 Yr 17-22 Index: Measures the performance of USD-denominated long-term tax exempt bond market with maturities of 20 years(17-22), including state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

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Bloomberg Barclays U.S. Universal Index: Measures the performance of USD-denominated, taxable bonds that are rated either investment grade or high-yield. It represents the union of the U.S. Aggregate Index, U.S. Corporate High Yield Index, Investment Grade 144A Index, Eurodollar Index, U.S. Emerging Markets Index, and the non-ERISA eligible portion of the CMBS Index.

Bloomberg Commodity Index: Measures the performance of future contracts on physical commodities which traded on US exchanges and London Metal Exchange. The commodity weightings are based on production and liquidity, subject to weighting restrictions applied annually.

BofAML 100 Technology Index: Measures the performance of a cross section of large, actively traded technology stocks and ADRs. It was developed with a base value of 200.00 as of January 30, 1998. The index is rebalanced annually based on closing prices on the third Friday in December. It is equal-dollar weighted.

BofAML 3-Month U.S. Treasury Bill Index: Measures the performance of a single issue of outstanding treasury bill which matures closest to, but not beyond, three months from the rebalancing date. The issue is purchased at the beginning of the month and held for a full month; at the end of the month that issue is sold and rolled into a newly selected issue.

BofAML All Convertibles/All Qualities Index: Measures the performance of USD-denominated convertibles that are sold in the US market and publicly traded in the US including coupon bonds, OIDs, and zeros. Qualifying securities must have at least $50mn in market value. Qualifying companies must have a significant revenue footprint in the US. It is capitalization-weighted.

BofAML Preferred Stock Fixed Rate Index: Measures the performance of fixed rate US dollar denominated preferred securities issued in the US domestic market. Qualifying securities must have an investment grade rating and must have an investment grade rated country of risk.

BofAML High Yield Master II Index: measures the performance of short-term US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of $100 million. It is capitalization-weighted.

BofAML USD LIBOR 3 Mon CM Index: Measures the performance of a synthetic asset paying Libor to a stated maturity. It is based on the assumed purchase at par of a synthetic instrument having exactly its stated maturity and with a coupon equal to that days fixing rate. That issue is assumed to be sold the following business day (priced at a yield equal to the current day fixing rate) and rolled into a new instrument.

CBOE S&P 500 BuyWrite BXM: designed to show the hypothetical performance of a portfolio that engages in a buy-write strategy using S&P 500 index call options.

Citigroup 3 Month T-Bill Index: Measures the performance of the last three three-month Treasury bill month-end rates.

Citigroup ESBI-Capped Brady Index: Measures the performance of US Dollar emerging market debt that has been restructured under the Brady Plan.

Citigroup Dollar World Non-U.S. Government Bond Index: Measures the performance of fixed-rate, local currency, investment-grade sovereign bonds of all WGBI countries except the United States and is stated in US dollar terms. It is a subset of Citigroup World Government Bond Index (WGBI).

Custom (Conservative, Moderate, Aggressive) Portfolios Benchmarks: These indices are composite benchmarks that reflect the weighted average of the benchmarks of the underlying funds in which each specific Custom Portfolio invests.

Dow Jones Relative Risk Indices: Are total-portfolio indices that allow investors to evaluate the returns on their portfolios considering the amount of risk they have taken. The family includes global and U.S. indices for five risk profiles—aggressive, moderately aggressive, moderate, moderately conservative and conservative. These profiles are defined based on incremental levels of potential risk relative to the risk of an all-stock index.

Dow Jones Target Indices: Measures the performance of total portfolios of stocks, bonds and cash that automatically adjust over time to reduce potential risk as an investor's target maturity date approaches.

Dow Jones U.S. Financials Sector Index: Measures the performance of all US stocks in the Dow Jones US Index classified into financial sector. The sector classifications is defined by the proprietary classification system which used by S&P Dow Jones. It is a free-float weighted index.

Dow Jones U.S. Healthcare Sector Index: Measures the performance of all US stocks in the Dow Jones US Index classified into health care sector. The sector classifications is defined by the proprietary classification system which used by S&P Dow Jones. It is a free-float weighted index.

Dow Jones U.S. Select Real Estate Investment Trust (REIT) Index: Measures the performance of publicly traded real

EXHIBIT A

estate investment trusts(REITs) and REIT-like securities. The index is a subset of the Dow Jones US Select Real Estate Securities Index (RESI). The index is designed to serve as proxy for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate.

Dow Jones U.S. Select Real Estate Securities Index℠ (RESI): Measures the performance of publicly traded real estate securities. Represents equity real estate investment trusts (REITs) and real estate operating companies (REOCs) traded in the U.S.

Dow Jones U.S. Telecommunications Sector Index: Measures the performance of US stocks in the Dow Jones US Index that are classified into telecommunications sector. The sector classifications is defined by the proprietary classification system which used by S&P Dow Jones. It is a free-float weighted index.

Dow Jones U.S. Utilities Sector Index: Measures the performance of all US stocks in the Dow Jones US Index classified into Utilities sector. The sector classifications is defined by the proprietary classification system which used by S&P Dow Jones. It is a free-float weighted index.

Dow Jones Wilshire 5000 Total Market Index: Measures the performance of all US equity securities with readily available price data. Over 5,000 capitalization weighted security returns are used to adjust the index.It is weighted by both full market capitalization and float-adjusted market capitalization.

Dow Jones Wilshire REIT Index: Measures the performance of U.S. publicly-traded Real Estate Investment Trusts. It's a subset of the Wilshire Real Estate Securities Index. The purpose was to create indexes of publicly-traded real estate equity securities without the limitations of other appraisal-based indexes. These indexes serve as proxies for direct real estate investing by excluding securities whose value is not always tied to the value of the underlying real estate (mortage REITs, net-lease REITs, real estate finance companies, mortgage brokers and bankers, commercial and residential real estate brokers, home builders, large landowners and sub-dividers of unimproved land, hybrid REITs and timber REITs).

FTSE NAREIT U.S. Real Estate Index: Measures the performance of REIT performance indexes that spans the commercial real estate space across the US economy. It contains all Equity REITs not designated as Timber REITs or Infrastructure REITs. The index is market-capitalisation weighted.

IA SBBI US 30 Day TBill Index: Measures the performance of a single issue of outstanding Treasury Bill which matures closest to, but not beyond, one month from the rebalancing date. The issue is purchased at the beginning of the month and held for a full month; at the end of the month that issue is sold and rolled into a newly selected issue. The index is calculated by Morningstar and the raw data is from WSJ.

iMoneyNet Taxable Money Funds Index: Measures the equally weighted returns of over 1,600 of the largest taxable money market funds.

JPM EMBI Global Index: Measures the performance of fix-rate for external-currency denominated debt instruments including brady bonds, loans, Eurobonds in emerging markets. Countries covered are Argentina, Brazil, Bulgaria, Mexico, Morocco, Nigeria, the Philippines, Poland, Russia, and South Africa. It covers more of the eligible instruments than the EMBI+ by relaxing somewhat the strict EMBI+ limits on secondary market trading liquidity.

JP Morgan GBI Global ex-US Index (US Dollar Hedged): Is an unmanaged index market representative of the total return performance in U.S. dollars on an unhedged basis of major non-U.S. bond markets.

JPM GBI Global Ex US TR Hdg USD: The J.P. Morgan GBI series provides a comprehensive measure of local currency denominated fixed rate government debt issued in developed markets. The series consists of five core index products covering developed markets. The broadest series tracks 27 countries.

Lifetime Funds Custom Benchmarks: These indices are composite benchmarks that reflect the weighted average of the benchmarks for the underlying funds in which each specific Lifetime Fund invests.

Lipper Balanced Funds Index: Represents the average of the 30 largest qualifying mutual funds (based on year-end total net assets) for the investment objective (to conserve principal by maintaining a balanced portfolio of stocks and bonds). Typically, the stock/bond ratioranges around 60%/40%.

Lipper Emerging Markets Funds Index: Is an equal dollar weighted index of the 30 largest qualifying mutual funds in the Lipper Emerging Markets universe (based on year-end total net assets).

Lipper Flexible Portfolio Funds Index: Represents the average of the 30 largest qualifying mutual funds in the Lipper Flexible Portfolio investment objective category (based on year-end total net assets). The mutual funds that comprise the Index allocate their investments across various asset classes, including domestic common stocks, bonds and money market instruments, with a focus on total return.

Lipper Global Funds Index: The average of the 30 largest qualifying mutual funds (based on year-end total net assets) for the investment objective to invest at least 25% of its portfolio in securities traded outside of the United States). These funds may own U.S. securities as well.

Lipper High Yield Bond Funds Index: Is a widely recognized index of the 30 largest mutual funds that invest primarily in high yield bonds.

Lipper International Funds Index: Measures the performance of the 30 largest mutual funds in the international large cap core fund objective, as determined by Lipper, Inc.

Lipper Intermediate Investment Grade Index: Represents the average of the 30 largest qualifying mutual funds (based on year end total net assets) for the investment objective. Funds that invest primarily in investment-grade debt issues (rated in the top four grades) with dollar-weighted average maturities of five to ten years.

Lipper Large-Cap Core Funds Index: Represents the average of the 30 largest qualifying mutual funds (based on year-end total net assets) in the Lipper Large-Cap Universe. These funds, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) greater than 300% of the dollar-weighted median market capitalization of the middle 1,000 securities of the S&P SuperComposite 1500 Index. These funds typically have an average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P 500 Index.

Lipper Large-Cap Growth Funds Index: Is an unmanaged, equally weighted performance index of the 30 largest qualifying mutual funds (based on net assets) in the Lipper Large-Cap classification.

Lipper Large-Cap Value Funds Index: Measures the performance of the 30 largest mutual funds that invest in the large-cap value range, as determined by Lipper, Inc. Lipper categorizes Value Funds as those that seek long-term growth of capital by investing in companies that are considered to be undervalued relative to a major unmanaged stock index based on a price-to-earnings, price-to-book value, asset value or other factors.

Lipper Mid Cap Funds Index: Is an unmanaged, equally weighted performance index of the 30 largest qualifying mutual funds (based on net assets) in the Lipper Micro Cap classification.

Lipper Mid-Cap Core Funds Index: Represents the average of the 30 largest qualifying mutual funds (based on year-end total net assets) in the Lipper Mid-Cap Universe. These funds, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) less than 300% of the dollar-weighted median market capitalization of the middle 1,000 securities of the S&P SuperComposite 1500 Index. These funds typically have an average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P Midcap 400 Index.

Lipper Mid-Cap Growth Funds Index: Represents the average of the 30 largest qualifying mutual funds (based on year-end total net assets) in the Lipper Mid-Cap Universe. These funds, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) less than 300% of the dollar-weighted median market capitalization of the middle 1,000 securities of the S&P SuperComposite 1500 Index. These funds typically have an above average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P Midcap 400 Index.

Lipper Mid-Cap Value Funds Index: Represents the average of the 30 largest qualifying mutual funds (based on year-end total net assets) in the Lipper Mid-Cap Universe. These funds, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) less than 300% of the dollar-weighted median market capitalization of the middle 1,000 securities of the S&P SuperComposite 1500 Index. These funds typically have a below average price-to- earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P Midcap 400 Index.

Lipper Real Estate Funds Index: An equally weighted index of the 30 largest qualifying mutual funds (based on year-end total net assets) in the Lipper Real Estate universe. These funds invest at least 65% of their portfolios in equity securities of domestic and foreign companies engaged in the real estate industry.

Lipper Science and Technology Funds Index: Represents the average of the 30 largest qualifying mutual funds in the Lipper Science and Technology universe (based on year-end total net assets). These funds, by portfolio practice, invest at least 65% of their equity assets in science and technology stocks.

Lipper Small-Cap Core Funds Index: Measures the performance of the 30 largest mutual funds in the small capitalization range, as determined by Lipper, Inc.

Lipper Small-Cap Growth Funds Index: Is an unmanaged, equally weighted performance index of the 30 largest qualifying mutual funds (based on net assets) in the Lipper Small-Cap classification.

Lipper Small-Cap Value Funds Index: Represents the average of the 30 largest qualifying mutual funds (based on year-end total net assets) in the Lipper Small-Cap Universe. These funds, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) less than 250% of the dollar-weighted median of the smallest 500 of the middle 1,000 securities of the S&P SuperComposite 1500 Index. These funds typically have a below average price to- earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P SmallCap 600 Index.

Morningstar Long-Only Commodity Index: Measures the performance of future contracts on eligible long commodities. Eligibilty is defined as a commodity that has future contracts traded on one of the US exchanges and rank in the top 95% by the 12-month average of total dollar value of open interest. The index is reconstituted annually, on the third Friday of December each year. It is a fully collateralized commodity futures index.

Morningstar Lifetime Moderate Indices: Measures the performance of a portfolio of global equities, bonds and traditional inflation hedges such as commodities and TIPS. This portfolio is held in proportions appropriate for a US investor who is recently retired. The Moderate risk profile is for investors who are comfortable with average exposure to equity market volatility.

Morningstar Target Risk Index: The Morningstar Target Risk Index family is designed to meet the needs of investors who would like to maintain a target level of equity exposure through a portfolio diversified across equities, bonds and inflation-hedged instruments. The Morningstar Moderate Target Risk Index seeks approximately 60% exposure to global equity markets.

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Morningstar Technology Sector Index: Measures the performance of companies engaged in the design, development, and support of computer operating systems and applications. This sector also includes companies that provide computer technology consulting services. Also includes companies engaged in the manufacturing of computer equipment, data storage products, networking products, semiconductors, and components.

MSCI ACWI Investable Market Index (IMI): captures large, mid and small cap representation across 23 Developed Markets (DM) and 23 Emerging Markets (EM) countries. With 8,594 constituents, the index is comprehensive, covering approximately 99% of the global equity investment opportunity set.

MSCI All Country Far East Ex. Japan Index: Measures the performance of the large and mid cap segments of the Far East region, excluding Japan equity securities, including developed and emerging market. It is free float-adjusted market-capitalization weighted.

MSCI All Country World Ex. U.S. Index: Measures the performance of the large and mid cap segments of the particular regions, excluding USA equity securities, including developed and emerging market. It is free float-adjusted market-capitalization weighted.

MSCI All Country World Ex. U.S. Growth Index: Measures the performance of the growth large and mid cap segments of the particular regions, excluding USA equity securities, including developed and emerging market. It is free float-adjusted market-capitalization weighted.

MSCI EAFE Growth Index (net): Measures the performance of the growth large and mid cap segments of equity securities in developed markets, excluding the US & Canada. It is free float-adjusted market-capitalization weighted.

MSCI EAFE Index (net): Measures the performance of the large and mid cap segments of developed markets, excluding the US & Canada equity securities. It is free float-adjusted market-capitalization weighted.

MSCI EAFE Value Index (net): Measures the performance of the value large and mid cap segments of developed markets, excluding the US & Canada equity securities. It is free float-adjusted market-capitalization weighted.

MSCI EMF Index (net): Measures the performance of the large and mid cap segments of emerging market equity securities. It is free float-adjusted market-capitalization weighted.

MSCI EM (Emerging Markets) Latin America Index: Measures the performance of the large and mid cap segments of emerging Latin America equity securities. It is free float-adjusted market-capitalization weighted.

MSCI Emerging Markets Net Dividend Index: Measures the performance of the large and mid cap segments of emerging market equity securities. It is free float-adjusted market-capitalization weighted.

MSCI Europe Index: Measures the performance of the large and mid cap segments of developed Europe equity securities. It is free float-adjusted market-capitalization weighted.

MSCI India Index: Measures the performance of the large and mid cap segments of India equity securities. It is free float-adjusted market-capitalization weighted.

MSCI Japan Index: Measures the performance of the large and mid cap segments of Japan equity securities. It is free float-adjusted market-capitalization weighted.

MSCI Metals/Mining Index: Measures the performance of the large and mid cap metals and mining (industry) segments of world equity securities. It is constructed using GICS-Global Industry Classification Standard. The index is free float-adjusted market-capitalization weighted.

MSCI Pacific Index: Measures the performance of the large and mid cap segments of the developed Pacific region equity securities. It is free float-adjusted market-capitalization weighted.

MSCI Pacific Free Index: Same constituents as MSCI Pacific Index, the "Free" index captures the history of certain of those constituents that were not deemed "developed" in previous years.

MSCI US REIT Index: Measures the performance of the large, mid and small cap segments of the US equity securities. It is comprised of Equity REITs securities and based on the MSCI USA Investable Market Index, with the exception of Mortgage REIT and selected Specialized REITs. The index represents approximately most of the US REIT universe and securities are classified in the REIT sector according to the Global Industry Classification Standard. It is a free float market capitalization weighted index.

MSCI World Ex USA SMID Index: Measures the performance of small and mid segment of World excluding USA equity securities. It captures mid and small representation accross 22 of 23 developed market countries and 21 emerging markets countries and it covers approximately 28% of the free float-adjusted market capitalization in each country. The index is free float-adjusted market capitalization weighted.

MSCI World Growth Index (net): Measures the performance of the growth large and mid cap segments of world equity securities. It is free float-adjusted market-capitalization weighted.

MSCI World Index: Measures the performance of the large and mid cap segments of world equity securities. It is free float-adjusted market-capitalization weighted.

MSCI World Ex US Index: Measures the performance of the large and mid cap segments of world, excluding US equity securities. It is free float-adjusted market-capitalization weighted.

MSCI ACWI Ex USA Value Index: Measures the performance of the value large and mid cap segments of the particular regions, excluding USA equity securities, including developed and emerging market. It is free float-adjusted market-capitalization weighted.

MSCI ACWI Index: Measures the performance of the large and mid cap segments of all country markets,excluding the US. It is free float-adjusted market-capitalization weighted.

MSCI China Index: Measures the performance of the large and mid cap segments of emerging China equity securities. It is free float-adjusted market-capitalization weighted.

MSCI World Real Estate Index: Measures the performance of the large and mid cap real estate (industry group) segments of world equity securities. It is constructed using GICS-Global Industry Classification Standard. The index is free float-adjusted market-capitalization weighted.

MSCI World Small Cap Index: Measures the performance of the small cap segment of world equity securities. It is free float-adjusted market-capitalization weighted.

MSCI World Value Index (net): Measures the performance of the value large and mid cap segments of world equity securities.

National Association of Real Estate Investment Fiduciaries (NCREIF) Open-End Diversified Core Equity Fund Index (NFI-ODCE): Is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors - the great majority being pension funds. As such, all properties are held in a fiduciary environment.

NYSE Arca Tech Index: The NYSE Arca Tech 100 is comprised of 100 listed and over-the-counter stocks from 14 different sub-sectors including computer hardware, software, semiconductors, telecommunications, data storage and processing, electronics and biotechnology. Archipelago®", "ARCA®", "ARCAEX®", "NYSE®", "NYSE ARCASM" and "NYSE Arca Tech 100SM" are trademarks of the NYSE Group, Inc. and Archipelago Holdings, Inc. This Fund is not sponsored, endorsed, sold or promoted by Archipelago Holdings, Inc. ("ARCA"). ARCA makes no representation or warranty regarding the advisability of investing in securities generally, in the Fund particularly, or the ability of the NYSE Arca Tech 100 Index to track general stock market performance.

PRREF Composite Index: The Separate Account's aggregate benchmark return, which is comprised of (a) the NCREIF Open-End Diversified Core Equity Fund Index ("NFIODCE"), S&P Developed Property Index and the Citigroup U.S. Domestic 3 Month T-Bill Total Return Index, weighted on a monthly basis to correspond to the Separate Account's investment allocation, for periods prior to and including September 30, 2012 and (b) 75% NFI-ODCE and 25% the S&P Developed Property Index for periods October 1, 2012 and after. PRREF's customized benchmark (the "Benchmark") utilizes the NFI-ODCE (the "Index") to judge the performance of the Fund's investments in private real estate. The Index is published quarterly with the final returns released approximately one month after quarter end. In order to produce the Benchmark on a monthly basis, as is required by most investors, the Index is estimated intraquarter and trued up when the final Index values are published. This can result in the Benchmark returns for a quarter being subject to change until this true up has occurred.

Retirement Goal Custom Benchmarks: These indices are composite benchmarks that reflect the weighted average of the benchmarks of the underlying funds in which each specific Retirement Goal Fund invests.

Russell 1000® Growth Index: Measures the performance of the large-cap growth segment of the US equity securities. It includes the Russell 1000 index companies with higher price-to-book ratios and higher forecasted growth values. It is market-capitalization weighted. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

Russell 1000® Index: Measures the performance of the large-cap segment of the US equity securities. It is a subset of the Russell 3000 index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership.

Russell 1000® Value Index: Measures the performance of the large-cap value segment of the US equity securities. It includes the Russell 1000 index companies with lower price-to-book ratios and lower expected growth values. It is market-capitalization weighted. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

Russell 2000® Growth Index: Measures the performance of small-cap growth segment of the US equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values. It is market-capitalization weighted. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

Russell 2000® Index: Measures the performance of the small-cap segment of the US equity universe. It is a subset of the Russell 3000 and includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

Russell 2000® Value Index: Measures the performance of small-cap value segment of the US equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. It is market-capitalization weighted. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

Russell 2500® Growth Index: Measures the performance of the small to mid-cap growth segment of the US equity universe. It includes Russell 2500 index companies with higher price-to-book ratios and higher forecasted growth values. It is market-capitalization weighted.

Russell 2500® Index: Measures the performance of the small to mid-cap segment of the US equity universe. It is a subset of the Russell 3000 index includes approximately 2500 of the smallest securities based on the combination of their market cap and current index membership.

Russell 2500® Value Index: Measures the performance of the small to mid-cap value segment of the US equity universe. It includes Russell 2500 index companies with lower price-to-book and lower forecasted growth values. It is market-capitalization weighted.

Russell 3000 Growth Index: Measures the performance of the broad growth segment of the US equity universe. It includes Russell 3000 index companies with higher price-to-book ratios and higher forecasted growth values. It is market-capitalization weighted.

Russell 3000 Value Index: Measures the performance of the broad value segment of US equity value universe. It includes Russell 3000 index companies with lower price-to-book ratios and lower forecasted growth values. It is market-capitalization weighted.

Russell 3000® Index: Measures the performance of the largest 3000 US companies representing approximately 98% of the investable US equity market. It is market-capitalization weighted.

Russell Developed ex North America Large Cap Index Net: Measures the performance of the large cap segment of global developed equity markets, excluding companies assigned to the U.S. It is a subcomponent of the Russell Global Index, which is designed to capture 98% of the global equity market capitalization available to institutional investors.

Russell Greater China Index: Measures the performance of the China equity market based on liquid and eligible equity securities covering large, mid and small cap securities and is a component of the Russell Global Index. It is market-capitalization weighted.

Russell Midcap® Growth Index: Measures the performance of the mid-cap growth segment of the US equity universe. It includes Russell midcap index companies with higher price-to-book ratios and higher forecasted growth values. It is market-capitalization weighted. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

Russell Midcap® Index: Measures the performance of the mid-cap segment of the US equity universe. It is a subset of Russell 1000 index and includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The index represents approximately 31% of the total market capitalization of the Russell 1000 companies.

Russell Midcap® Value Index: Measures the performance of the mid-cap value segment of the US equity universe. It includes Russell midcap index companies with lower price-to-book ratios and lower forecasted growth values. It is market-capitalization weighted.

Russell Top 200 Index: Measures the performance of the largest cap segment of the US equity universe. It is a subset of the Russell 3000 index and includes approximately 200 of the largest securities based on a combination of their market cap and current index membership. The index represent approximately 68% of the US market.

SFDCP Retirement Simple Benchmark: Is a composite of other indexes. These subindexes represent two major asset classes-equity and fixed income. The asset classes are weighted within each Target Date Index to reflect a targeted level of risk. Over time, the weights are adjusted based on predetermined formulas to reduce the level of potential risk as the index's maturity date approaches.

S&P 500 Index (50%), the Russell 2000 Index (5%), the MSCI EAFE Index (5%), and Bloomberg Barclays U.S. Aggregate Bond Index (40%). An unmanaged, weighted-average composite Index.

S&P 1500 Consumer Discretionary Index: Measures the performance of consumer discretionary(sector) segment of US equity securities. It comprises those companies included in the S&P Composite 1500 that are classified as members of the Global Industry Classification Standard(GICS) Consumer Discretionary (sector).

S&P 1500 Cons Staples TR: Measures the performance of consumer staples (sector) segment of US equity securities. It comprises those companies included in the S&P Composite 1500 that are classified as members of the Global Industry Classification Standard(GICS) Consumer Staples (sector).

S&P 1500 Energy Index: Measures the performance of energy(sector) segment of US equity securities. It comprises those companies included in the S&P Composite 1500 that are classified as members of the Global Industry Classification Standard(GICS) Energy (sector).

S&P 1500 Financials TR: Measures the performance of Financials(sector) segment of US equity securities. It comprises those companies included in the S&P Composite 1500 that are classified as members of the Global Industry Classification Standard(GICS) Financials (sector).

S&P 1500 Health Care TR: Measures the performance of health care(sector) segment of US equity securities. It comprises those companies included in the S&P Composite 1500 that are classified as members of the Global Industry Classification Standard(GICS) Health Care (sector).

S&P 1500 Industrials Index: Measures the performance of industrials(sector) segment of US equity securities. It comprises those companies included in the S&P Composite 1500 that are classified as members of the Global Industry Classification Standard(GICS) Industrials (sector).

S&P 1500 Telecom Services TR: Measures the performance of Telecom Services(sector) segment of US equity securities. It comprises those companies included in the S&P Composite 1500 that are classified as members of the Global Industry Classification Standard(GICS) Telecom Services (sector).

S&P 1500 Utilities TR: Measures the performance of Utilities(sector) segment of US equity securities. It comprises those companies included in the S&P Composite 1500 that are classified as members of the Global Industry Classification Standard(GICS) Utilities (sector).

S&P 500® Index: Measures the performance of 500 widely held stocks in US equity market. Standard and Poor's chooses member companies for the index based on market size, liquidity and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies. Since mid 1989, this composition has been more flexible and the number of issues in each sector has varied. It is market capitalization-weighted.

S&P 500 Technology Index: Measures the performance of all those companies held in the S&P 500 index that are classified as a information technology(sector) company using the Global Industry Classification Standard(GICS) system.

S&P 500 Value Index: Measures the performance of value stocks drawn from the S&P 500 index. The complete market capitalizaion of S&P 500 index is divided into growth and value segments by using three factors: sales growth, the ratio of earnings change to price, and momentum.

S&P Global REIT : Measures the performance of publicly traded equity REITs listed in both developed and emerging markets. It is a member of the S&P Global Property Index Series.

S&P Completion Index: Measures the performance of all members of the S&P TMI index except for the current constituents of the S&P 500. It covers approximately 3000 constituents, offering investors broad exposure to mid, small, and micro cap companies. The index is market-capitalisation weighted.

S&P Composite 1500® Index: Measures the performance of widely available, liquid stocks in US equity market. It combines three leading indices - S&P 500, S&P MidCap 400, and S&P SmallCap 600, to cover approximately 90% of the US market capitalization.

S&P Developed Property Index: This index defines and measures the investable universe of publicly traded property companies domiciled in developed markets. The companies in the index are engaged in real estate related activities, such as property ownership, management, development, rental and investment.

S&P MidCap 400 Index: Measures the performance of mid-sized US companies, reflecting the distinctive risk and return characteristics of this market segment. It comprises stocks in the middle capitalization range, covering approximately 7% of the of US equity market.

S&P North American Natural Resources Sector Index: Measures the performance of US traded securities that are calsssified under the Global Industry Classification Standard(GICS) energy and materials (sector) excluding the chemicals (industry) and steel (sub-industry).

S&P United States REIT: Measures the performance of investable universe of pubilcly traded real estate investment trusts domiciled in the United States.

S&P/LSTA Leveraged Loan TR: Measures the performance of 100 loan facilities drawn from the S&P/LSTA (Loan Syndications and Trading Association) Leveraged Loan Index (LLI). Standard & Poor's chooses these based on market weightings, spreads, and interest payments of the largest facilities in the leveraged loan market.

Prudential Real Assets composite index: This index is composed of future contracts on physical commodities traded on U.S. exchanges, with the exception of aluminum, nickel and zinc, which trade on the London Metal Exchange.

S&P Small Cap 600 Index: Measures the performance of small cap segment of US equity market. It consists of 600 domestic stocks chosen for market size, liquidity, and industry group representation and covers approximately 3% of the domestic equities market.

S&P Total Market Index: Measures the performance of all large, mid, small nad micro cap companies and other common equities listed on NYSE (including NYSE Arca), the NYSE Alternext, the NASDAQ Global Select Market, the NASDAQ Global Market and the NASDAQ Capital Market. It is market-capitalisation weighted.

U.S. Treasury 6 Month Certificate of Deposit (CD) Index: The average of the secondary market interest rates for nationally traded 6 month certificates of deposit.

U.S. Treasury T-Bill Auction Average 3-Month Index: Measures the performance of the average investment rate of US T-Bills securities with the maturity of 3 months.

Vanguard Balanced Composite Index: Made up of two unmanaged benchmarks, weighted 60% Dow Jones Wilshire 5000 Index and 40% Bloomberg Barclays U.S. Aggregate Bond Index through May 31, 2005; 60% MSCI U.S. Broad Market Index and 40% Bloomberg Barclays U.S. Aggregate Bond Index there- after.

Wellington Composite Index: is a combination of unmanaged industry benchmarks: 65% S&P 500 Index and 35% Bloomberg Barclays Credit A or Better Index. Prior to March 1, 2000, weighted 65% S&P 500 Index and 35% Bloomberg Barclays Long Credit AA or Better Index.

EXHIBIT A

Fund	American Europacific Growth R4	
Plan Fund	REREX	Class R4
Alt. Fund	RERGX	Class R6

Years	Fund Symbol	Alt. Symbol	Assets in Plan	Fund ER (%)	Alt. ER (%)	ER Diff. (%)	Excess Fees
2012	REREX	RERGX	$ 34,784,802	0.85	0.50	0.35	$ 121,747
2013	REREX	RERGX	$ 45,798,427	0.85	0.50	0.35	$ 160,294
2014	REREX	RERGX	$ 48,665,352	0.84	0.49	0.35	$ 170,329
2015	REREX	RERGX	$ 54,253,890	0.84	0.49	0.35	$ 189,889
2016	REREX	RERGX	$ 59,062,850	0.85	0.50	0.35	$ 206,720
2017	REREX	RERGX	$ 77,071,413	0.85	0.50	0.35	$ 269,750
2018	REREX	RERGX	$ 72,180,451	0.83	0.49	0.34	$ 245,414
						TOTAL	$ 1,364,142

Fund	Loomis Sayles Value Class Y	
Plan Fund	LSGIX	Class Y
Alt. Fund	LSVNX	Class N

Years	Fund Symbol	Alt. Symbol	Assets in Plan	Fund ER (%)	Alt. ER (%)	ER Diff.	Excess Fees
2012	LSGIX	LSVNX	$ 21,806,124	0.74		-	-
2013	LSGIX	LSVNX	$ 32,326,323	0.73	0.58	0.15	$ 48,489
2014	LSGIX	LSVNX	$ 52,088,177	0.72	0.57	0.15	$ 78,132
2015							-
2016							-
2017							-
2018							-
						TOTAL	$ 126,622

Fund	Pru Jennison Growth /Separate Account(SA)	
Plan Fund	PJFAX	Class A
Alt. Fund	PJFZX / PJFQX	Class Z / Class R6

Years	Fund Symbol	Alt. Symbol	Assets in Plan	Fund ER (%)	Alt. ER (%)	ER Diff. (%)	Excess Fees
2012	PJFAX	PJFZX	$ 24,619,014	1.06	0.76	0.30	$ 73,857
2013	SA	PJFZX	$ 34,596,869	0.91	0.76	0.15	$ 51,895
2014	SA	PJFZX	$ 54,496,973	0.92	0.75	0.17	$ 92,645
2015	SA	PJFZX	$ 64,221,272	0.91	0.75	0.16	$ 102,754
2016	SA	PJFZX	$ 65,509,566	0.91	0.73	0.18	$ 117,917
2017	SA	PJFZX	$ 87,029,235	0.91	0.68	0.23	$ 200,167
2018	SA	PJFQX	$ 85,929,386	0.91	0.60	0.31	$ 266,381
						TOTAL	$ 905,617

EXHIBIT B

Fund	Vanguard Total Bond Market Index Fund	
Plan Fund	VBMFX / VBTLX	Investor
Alt. Fund	VBMPX	Institutional Plus

Years	Fund Symbol	Alt. Symbol	Assets in Plan	Fund ER (%)	Alt. ER (%)	ER Diff. (%)	Excess Fees
2012	VBMFX	VBMPX	$ 3,413,088	0.22	0.05	0.17	$ 5,802
2013	VBMFX	VBMPX	$ 2,329,104	0.20	0.05	0.15	$ 3,494
2014	VBMFX	VBMPX	$ 3,477,670	0.20	0.05	0.15	$ 5,217
2015	VBTLX	VBMPX	$ 4,280,813	0.07	0.05	0.02	$ 856
2016	VBTLX	VBMPX	$ 5,741,679	0.06	0.04	0.02	$ 1,148
2017	VBTLX	VBMPX	$ 6,603,217	0.05	0.03	0.02	$ 1,321
2018	VBTLX	VBMPX	$ 6,705,237	0.05	0.03	0.02	$ 1,341
						TOTAL	$ 19,179

Fund	PIMCO Total Return Admin / Separate Account (SA)	
Plan Fund	PTRAX	Admin
Alt. Fund	PTTRX	Institutional

Years	Fund Symbol	Alt. Symbol	Assets in Plan	Fund ER (%)	Alt. ER (%)	ER Diff. (%)	Excess Fees
2012	PTRAX	PTTRX	$ 33,931,708	0.71	0.46	0.25	$ 84,829
2013	SA	PTTRX	$ 33,001,384	0.63	0.46	0.17	$ 56,102
2014	SA	PTTRX	$ 36,300,649	0.63	0.46	0.17	$ 61,711
2015							
2016							
2017							
2018							
						TOTAL	$ 202,643

Fund	Lord Abbett Fundamental Equity Fund	
Plan Fund	LDFVX	Class A
Alt. Fund	LAVYX	Class I

Years	Fund Symbol	Alt. Symbol	Assets in Plan	Fund ER (%)	Alt. ER (%)	ER Diff. (%)	Excess Fees
2012	LDFVX	LAVYX	$ 21,241,109	1.09	0.74	0.35	$ 74,344
2013	LDFVX	LAVYX	$ 28,594,652	1.09	0.74	0.35	$ 100,081
2014							
2015							
2016							
2017							
2018							
						TOTAL	$ 174,425

Fund	Vanguard Total Stock Market Index Fund	
Plan Fund	VITSX	Institutional
Alt. Fund	VSMPX	Institutional Plus

Years	Fund Symbol	Alt. Symbol	Assets in Plan	Fund ER (%)	Alt. ER (%)	ER Diff. (%)	Excess Fees
2012	VITSX	VSMPX	$ 20,316,606	0.05			$ -
2013	VITSX	VSMPX	$ 28,305,727	0.04			$ -
2014	VITSX	VSMPX	$ 32,977,215	0.04			$ -
2015	VITSX	VSMPX	$ 33,738,445	0.04	0.02	0.02	$ 6,748
2016	VITSX	VSMPX	$ 39,808,136	0.04	0.02	0.02	$ 7,962
2017	VITSX	VSMPX	$ 49,119,176	0.035	0.02	0.015	$ 7,368
2018	VITSX	VSMPX	$ 47,710,533	0.035	0.02	0.015	$ 7,157
						TOTAL	$ 29,234

EXHIBIT B

Fund	Nationwide Geneva MidCap Growth Fund	
Plan Fund	NWHYX	Institutional Service
Alt. Fund	NWKAX	Class R6

Years	Fund Symbol	Alt. Symbol	Assets in Plan	Fund ER (%)	Alt. ER (%)	ER Diff. (%)	Excess Fees
2012	NWHYX	NWKAX	$ 1,327,644				$ -
2013	NWHYX	NWKAX	$ 2,444,264	1.11	0.86	0.25	$ 6,111
2014	NWHYX	NWKAX	$ 2,673,458	1.11	0.86	0.25	$ 6,684
2015							
2016							
2017							
2018							
						TOTAL	$ 12,794

Fund	Delaware Value Fund	
Plan Fund	DDVIX	Institutional
Alt. Fund	DDZRX	Class R6

Years	Fund Symbol	Alt. Symbol	Assets in Plan	Fund ER (%)	Alt. ER (%)	ER Diff. (%)	Excess Fees
2012							
2013							
2014							
2015	DDVIX		$ 53,072,087	0.74			
2016	DDVIX		$ 63,397,142	0.72			
2017	DDVIX	DDZRX	$ 72,567,176	0.72	0.62	0.10	$ 72,567
2018	DDVIX	DDZRX	$ 71,528,719	0.70	0.60	0.10	$ 71,529
						TOTAL	$144,096

Fund	Loomis Sayles Core Plus Bond	
Plan Fund	NEFRX	Class A
Alt. Fund	NERNX	Class N

Years	Fund Symbol	Alt. Symbol	Assets in Plan	Fund ER (%)	Alt. ER (%)	ER Diff. (%)	Excess Fees
2012							
2013							
2014							
2015	NEFRX	NERNX	$ 40,217,643	0.79	0.46	0.33	$ 132,718
2016							
2017							
2018							
						TOTAL	$ 132,718

EXHIBIT B